



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, January 25, 2012

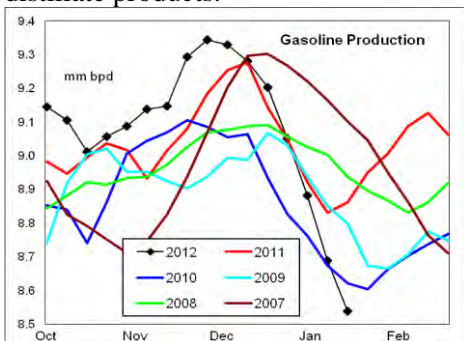


Major Fundamental Trends¹

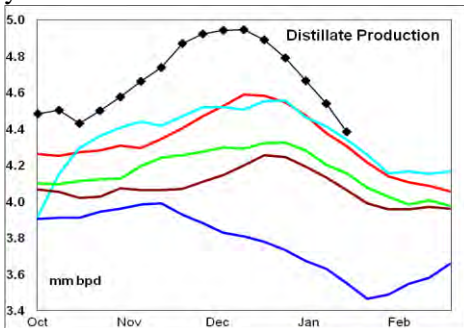
Middle distillate wholesale demand jumped +0.5 million bpd last week, split nearly equal between jet fuel and distillates. Colder temperatures in the Northeast lifted distillate usage while airlines restocking of inventories following the holiday travel season underlie the rise in demand.

While gasoline demand also increased for the week; the latest 4-wk average year-on-year decline was -563,000 bpd; a new record low.

Refinery crude oil runs continued to trend seasonally lower, and have decreased -0.6 million bpd during the last 2-wks as winter maintenance begins. Lower runs have led to decreases in output of gasoline and distillate products.



Gasoline production has declined -1 million bpd during the last 6-wks, driven by the seasonal and year-on-year decline in demand.



Distillate output has decreased -0.6 million bpd since the peak in mid December, with the level now comparable to year ago levels. The sharp pull back in production of both

gasoline and distillate from record high levels to, in the case of gasoline, record low levels; and for distillate to levels comparable to prior years confirms a supply response to lackluster demand.

These cuts in output should avoid the buildup of excess supplies as has occurred during prior periods of weak demand.

Substantial cuts in output of both gasoline and distillate in the Midwest should lead to an improved supply balance in what has been an extremely over supplied region. The West Coast should also see a drawdown in product stocks as winter refinery maintenance begins. Supplies of gasoline in the Rockies should improve on steep cuts in output.

Risk of a gasoline supply squeeze persists in New England and the Central Atlantic Region on refinery closures in Europe and the Caribbean. The recession in Europe, which may limit exports from the Gulf, and demand destruction in the U.S. will partially offset the lower supplies in the Atlantic Basin during 2012.

Demand increased +0.6 million bpd for the combined transport fuels last week. Wholesale demand measured over the last four weeks compared to a year ago: gasoline decreased -6.4%; distillate down -2%; jet fuel down -2.5% while residual fuel oil increased +21%.

Stocks forward coverage: Gasoline demand coverage decreased on a -0.4 million barrel stock draw last week, with the coverage level still at record highs on very weak demand.

Distillate coverage decreased on a -2.4 million barrel stock draw and higher demand. Coverage levels were well below the last 2-years.

Jet fuel coverage levels were below the last 2-years on a spike in demand and -0.9 million barrel stock draw.

Refinery utilization rates decreased on a -279,000 bpd drop in crude oil runs. During the latest 4-wk period crude oil input was +101,000 bpd above a year

ago.

Gasoline yield % on crude oil runs fell sharply on a -249,000 bpd decline in output, compared to a -279,000 bpd fall in crude oil runs last week. Yield % on crude oil runs matched 5-year lows.

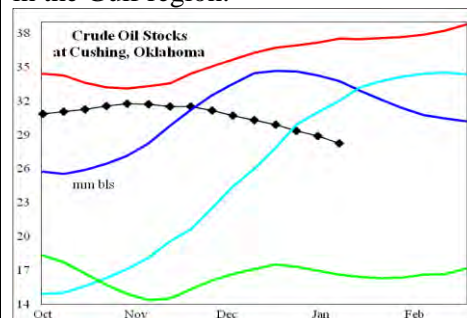
Distillate yield % on crude oil runs increased on a -90,000 bpd drop in output, compared to the decline in crude oil runs. The yield % matched 5-year highs for this time of year.

Jet fuel yield % on crude oil runs increased last week on a +33,000 bpd rise in output compared to the lower crude oil runs. decreased last week on a -69,000 bpd decline in output compared to lower crude oil runs. Yield % levels matched historic highs.

Petroleum Imports of crude oil and gasoline were each higher by +0.6 million barrels and +0.2 million bpd; respectively.

During the latest 4-wk period crude oil imports increased +81,000 bpd over last year; distillate imports decreased -66,000 bpd; finished gasoline imports declined -21,000 bpd, gasoline blend stock imports declined -53,000 bpd; jet fuel imports were -48,000 bpd lower, while residual fuel oil imports declined -123,000 bpd.

Crude Oil stocks increased +3.6 million barrels last week, concentrated in the Gulf region.



Stocks in Cushing were 28.6 million barrels last week, -8.9 million barrels (-24%) below last years' record high. The draw down due in part to inland domestic supplies being direct shipped to refiners should support a narrowing of the price spread to global crude oil grades.

¹ Source is latest EIA Weekly Statistics



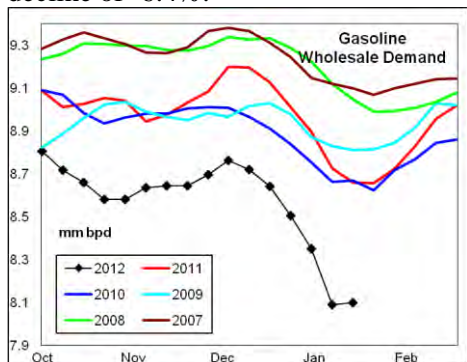
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Product Supply-Demand Trends

Gasoline demand increased +102,000 bpd last week, as the season low was likely reached the prior week. The latest 4-wk average demand was -563,000 bpd below a year ago, a decline of -6.4%.



Production fell -249,000 bpd last week, to a 5-year low. The decline was partially offset by a +169,000 bpd rise in imports. The extremely low level of production led to a -0.4 million barrel stock draw on the week.

Stock levels in the Central Atlantic Region of PADD 1 remain below four of the last 5-years.

Imports of blend stocks and finished product remain at exceptionally low levels on refinery closures in Europe.

Refiners have cut output to below the 5-year range in response to the ongoing year-on-year decrease in demand.

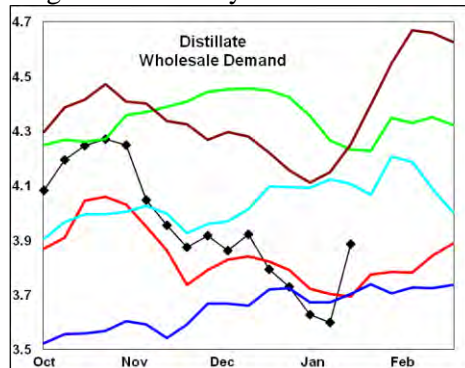
Stock levels in New England and the Central Atlantic Region of PADD 1 remain at the low end of the 5-year range. Refinery closures in the Caribbean and Europe risk a supply squeeze in these areas during peak spring demand. This loss of supply is partially offset by the recession in Europe and demand destruction in the U.S.

Distillate demand increased +251,000 bpd last week, to a level above the last 2-years. The latest 4-wk average year-on-year change in demand was a -74,000 bpd decline; driven by the unusually mild temperatures in the Northeast.

Supplies declined -163,000 bpd on

lower production and imports; with the latest 4-wk average supply +119,000 bpd above a year ago. Stocks fell -2.5 million barrels on lower supply. Stock levels ended the week -20 million barrels below last year.

The latest 4-wk stock change in markets East of the Rockies was a build of +3.1 million barrels, at the mid range of the last 5-years.



Demand extended last weeks' uptrend, rising +0.6 million bpd during the last 2-wks. Warm temperatures underlie the year-on-year decrease of -74,000 bpd.

With continued warm temperatures across much of country through early February, demand should remain lackluster.

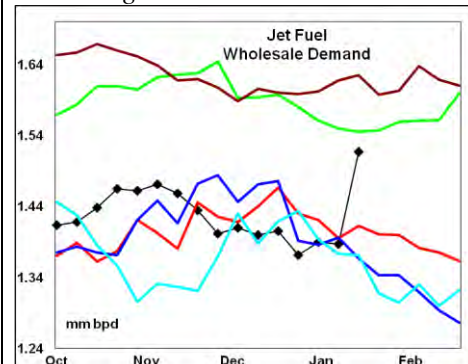
Stock levels remain very high on the West Coast, Rockies and Midwest regions. Exports have drawn down stock levels on the East and Gulf Coasts during the past year to levels well below the last 2-years. The recession in Europe may lead to lower exports from the Gulf during 2012, and some rebuilding of stock levels in the region.

Jet Fuel demand spiked +279,000 bpd last week, with sharp increases on the West Coast, Gulf and Midwest. The latest 4-wk average demand was -35,000 bpd below a year ago.

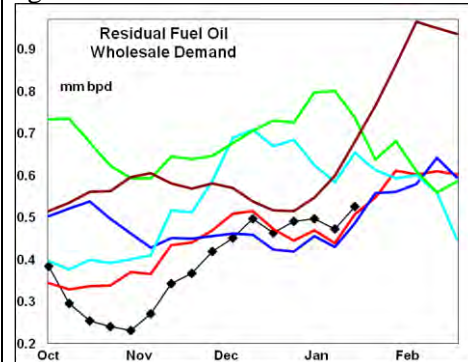
Supply increased +36,000 bpd last week, on higher production. Stocks fell -0.9 million barrels last week, a level -3% below last years' record high.

Stock levels remain extremely high in PADD 2, with other regions at or below the mid range. The seasonal decline in demand should assure

adequate supplies in all regional markets during the balance of the 1st quarter, although stock levels in nearly all regions will be below last years' record highs.



Residual fuel oil demand decreased -22,000 bpd on the week, to a level above the last 2-years. The latest 4-wk average was +99,000 bpd above a year ago.



Supply (production + imports) declined -32,000 bpd last week, on lower imports. The latest 4-wk average supply was -180,000 bpd below last year, and a record low for this time of year. Stocks decreased -1.4 million barrels to a fresh record low level.

A seasonal increase in demand, combined with record low imports and production has driven stock levels to record low levels. PADD 1 stocks decreased earlier due to refinery closures; now the Gulf has seen a sharp draw down due to a lack of imports.



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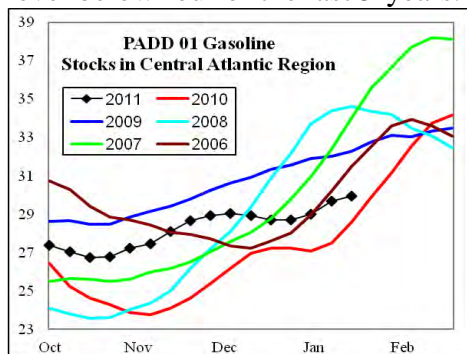
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PADD Supply Trends

PADD 1 refinery crude oil runs decreased -16,000 bpd on the week, with the latest 4-wk average -85,000 bpd below last year, and a record low rate for this time of year.

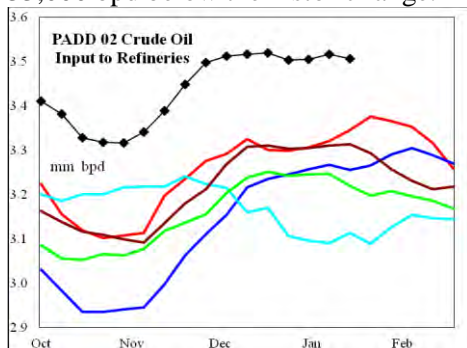
Gasoline production and imports were each nearly unchanged on the week.

Stocks increased +0.8 million barrels to a level near the historic mid range. Stock levels in the key Central Atlantic Region are at a level below four of the last 5-years.



Distillate supply fell -77,000 bpd last week on sharply lower imports; with the latest 4-wk average -46,000 bpd below last year. Stocks decreased -1.2 million barrels on the week, with the level at the low end of the 5-year range.

Jet fuel stocks increased +0.1 million barrels last week while local supply (production + imports) was -33,000 bpd below the historic range.



PADD 2 crude oil refinery runs increased +82,000 bpd last week, with the 4-wk average +203,000 bpd above last years' highs. Crude imports were nearly unchanged on the week, with the latest 4-wk average +0.3 million

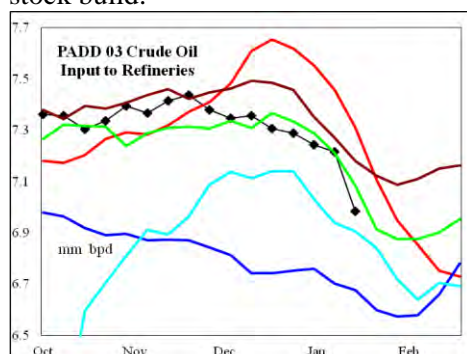
bpd above a year ago.

Gasoline production decreased -42,000 bpd, to a level that matched the last 3-years. Stocks were nearly unchanged at a level that matched 5-year highs.

Distillate production declined -50,000 bpd, to a level below the mid range. Stocks declined -0.6 million barrels last week, to a level that matched 5-year highs.

Jet fuel production increased +29,000 bpd, a level well above the historic range. Stocks were +6.8% above 5-year highs.

PADD 3 refinery runs declined -286,000 bpd last week, a level below the mid range. The latest 4-wk average thru put was -287,000 bpd below last year. Crude oil imports increased +0.4 million bpd, a level near the last 2-years. The rise in imports led to a +3.3 million barrel stock build.



Gasoline production decreased -136,000 bpd on the week. Stocks fell -1.9 million barrels last week, to a level -7% below prior record highs.

Distillate production decreased -19,000 bpd on the week, with the latest 4-wk average -2,000 bpd below the previous 5-year high. Stocks declined -0.8 million barrels, to a level near the 5-year mid range.

Jet fuel supply increased +25,000 bpd on the week, to a level above the last 3-years. Stocks declined -0.6 million barrels to a level near the low end of the historic range.

Residual fuel oil supplies were nearly unchanged on the week, at a 5-year low. Stocks fell -1 million barrels

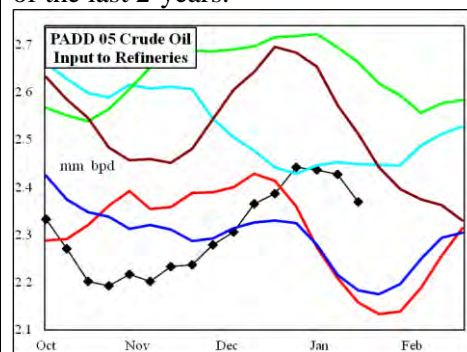
to a level -17% below last year.

PADD 4 refinery crude runs decreased -9,000 bpd, with the level still a record high for this time of year. The most recent 4-wk average run rate was +63,000 bpd above a year ago.

Gasoline production decreased -22,000 bpd on the week, with the latest 4-wk average -49,000 bpd below last year. Stock levels are near 5-year highs.

Distillate production increased +2,000 bpd last week, with the level a record high for this period. Stocks remain at a level above the historic range.

PADD 5 crude oil refinery runs declined -50,000 bpd last week, a level above the last 2-years. The latest 4-wk average thru put was +208,000 bpd above last year. Light product yield % on crude oil runs was below the level of the last 2-years.



Gasoline production declined -56,000 bpd last week to a level below the last 2-years. Supply (production + imports) for the latest 4-wk average was -16,000 bpd below a year ago. Stocks increased +0.8 million barrels on the week, although the level is below the 5-year mid range.

Distillate supply declined -18,000 bpd on the week, but remains at a level above the 5-year range. The latest 4-wk average supply was +56,000 bpd above a year ago. Stocks increased +0.2 million barrels to a level that matched 5-year highs.

Jet fuel supply decreased -10,000 bpd, although the level remains above the mid range. Stocks declined -0.5 million barrels on the week, to a level below the mid range.

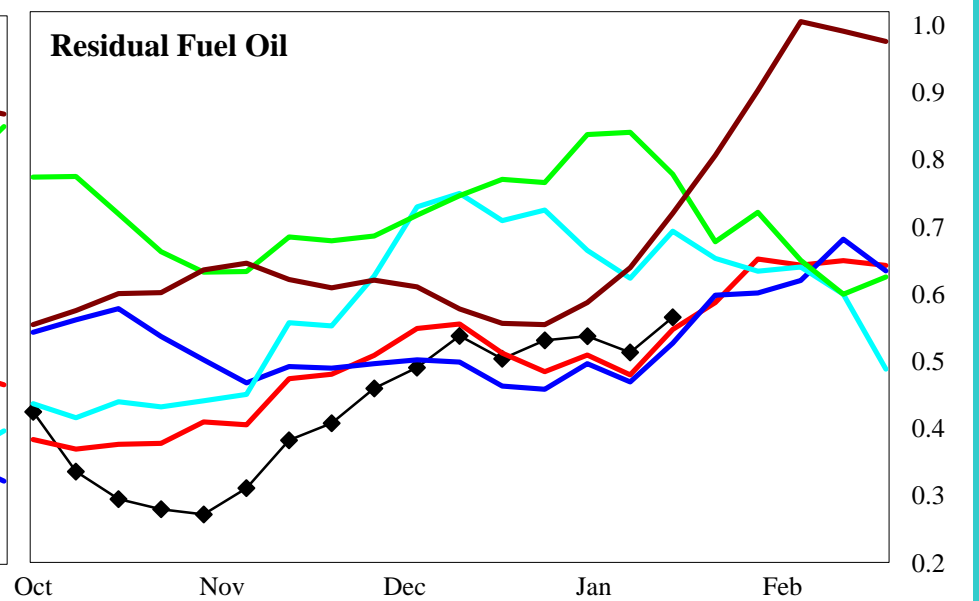
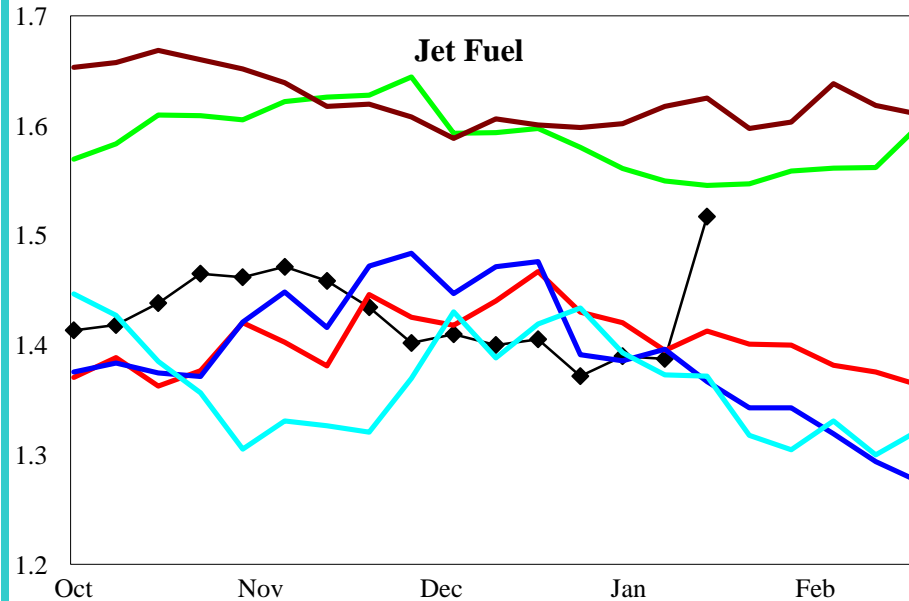
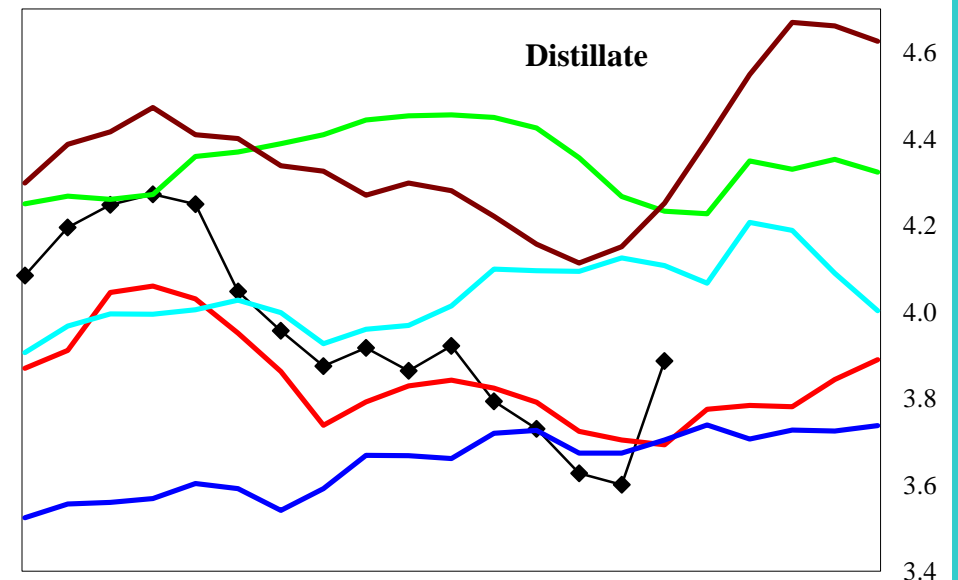
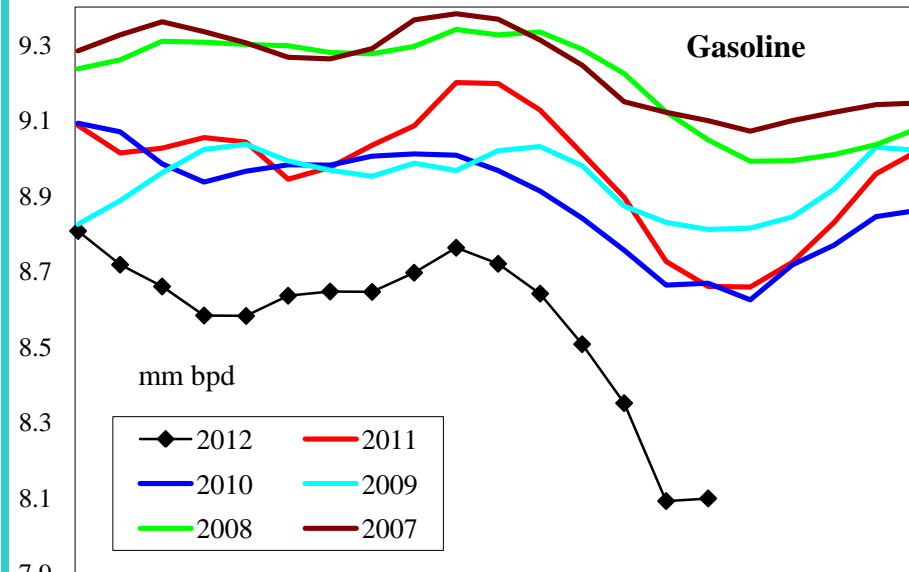


PETROLEUM: Graph Link and Weekly Summary

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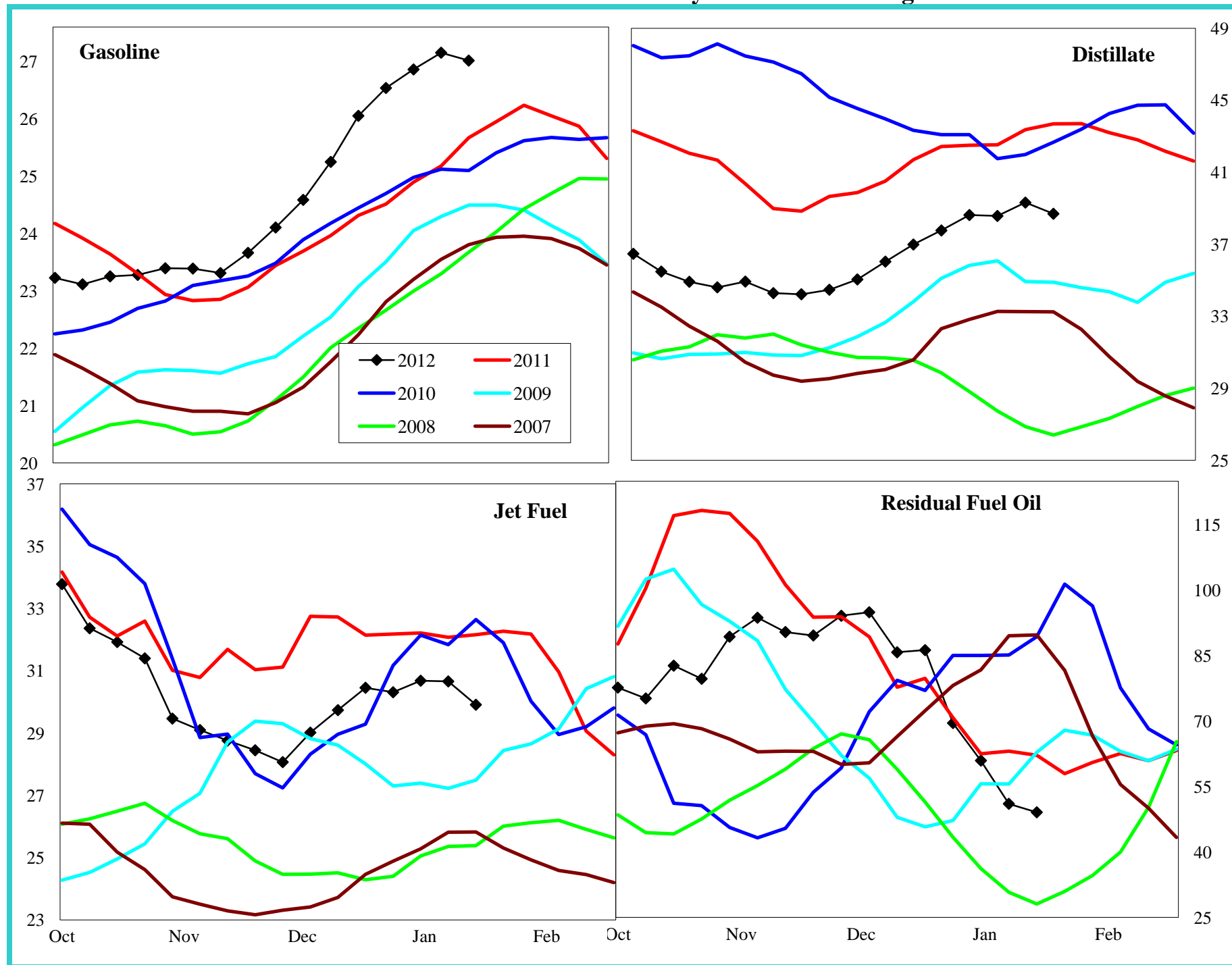
Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	20-Jan-12	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	3,558	-1,012	114	3,250	309	897
	Imports	588	-16	7	424	-81	254
	Input	-279	-16	82	-286	-9	-50
	% Utilization	-1.50					
Gasoline	Stocks	-390	834	87	-1,928	-222	838
	Production	-249	9	-42	-136	-22	-56
	Imports	169	10	36	55	0	67
	Supplied	102					
Distillate	Stocks	-2,456	-1,240	-642	-807	5	229
	Production	-90	2	-50	-19	2	-24
	Imports	-73	-79	0	-3	2	6
	Supplied	251					
Jet Fuel	Stocks	-918	79	169	-644	20	-542
	Production	33	-8	29	25	1	-14
	Imports	3	-1	0	0	0	4
	Supplied	279					
Residual Fuel Oil	Stocks	-1,388	-571	21	-960	-8	129
	Production	5	1	0	7	-2	-2
	Imports	-37	-20	-2	8	0	-23
	Supplied	-22					

United States Wholesale Petroleum Demand

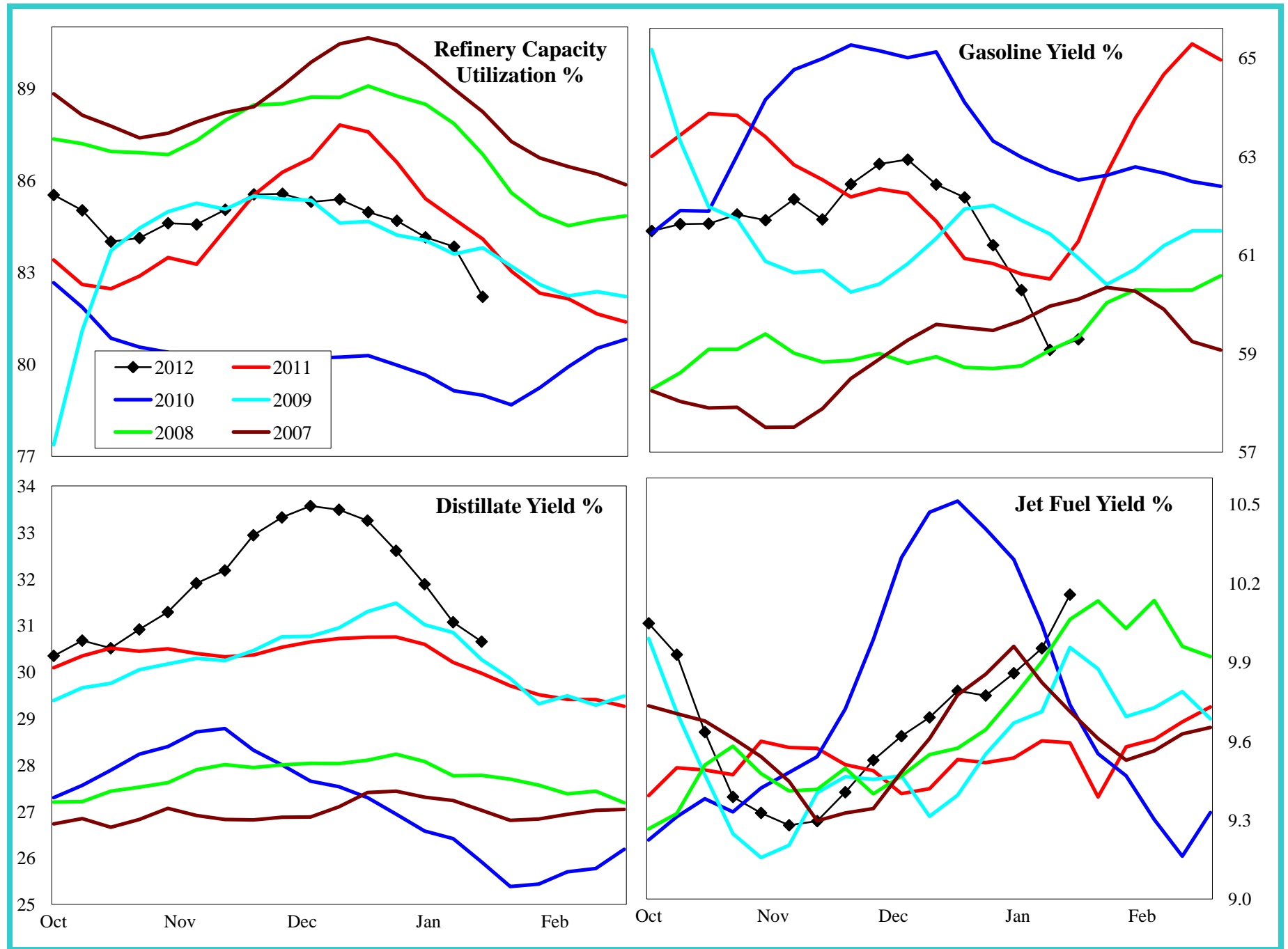


	000 bpd change from prior year				% change from prior year			
	4wk avg	Dec	Nov	Oct	4wk avg	Dec	Nov	Oct
Gasoline	-563	-155	-152	-359	-6.4	-1.7	-1.7	-4.0
Distillate	-74	-255	92	446	-2.0	-6.1	2.4	11.8
Jet Fuel	-35	22	81	-14	-2.5	1.6	5.8	-1.0
Resid	99	8	-214	-202	21.5	1.5	-38.8	-41.3

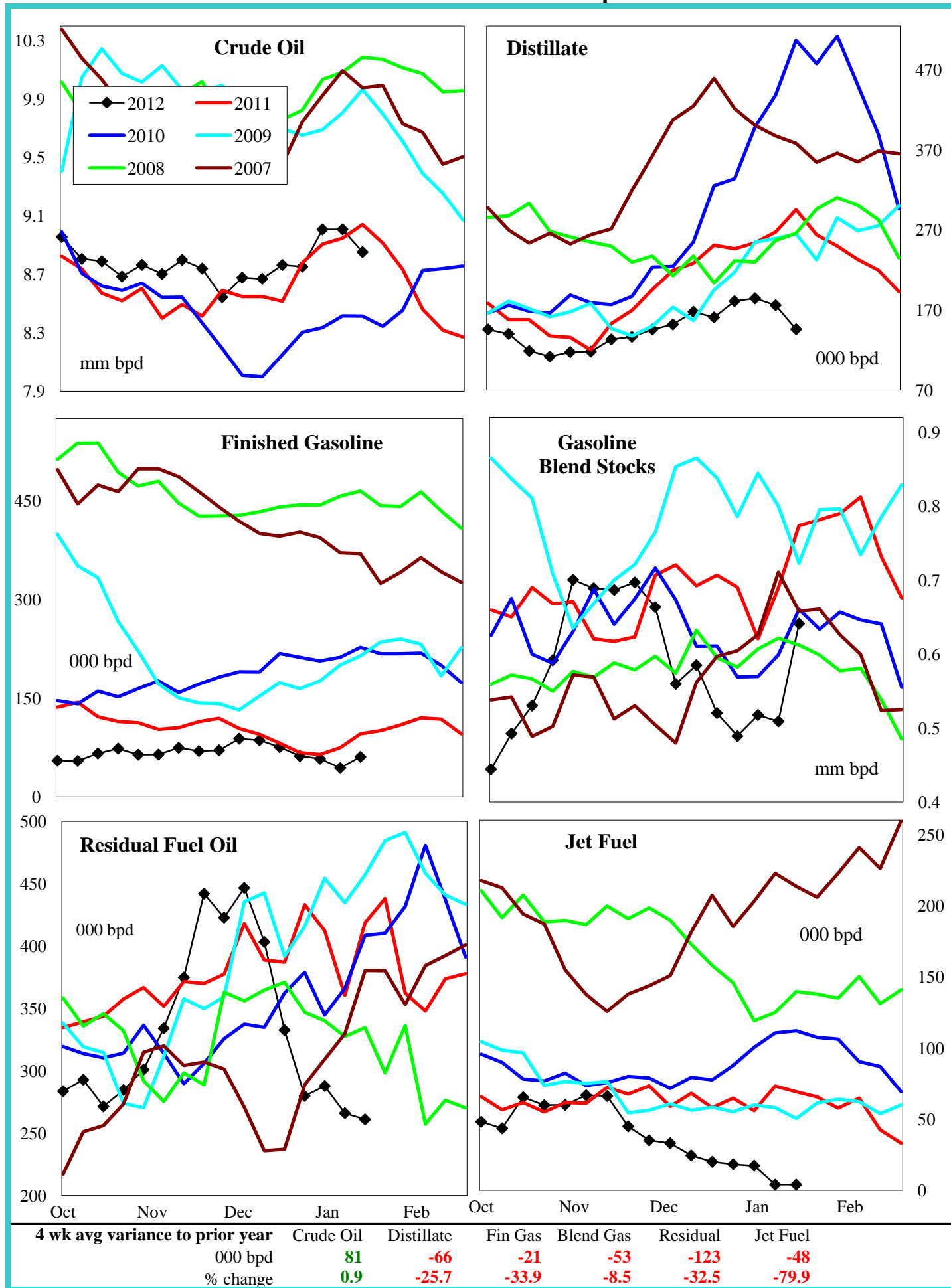


United States Product Stocks: Days Forward Coverage

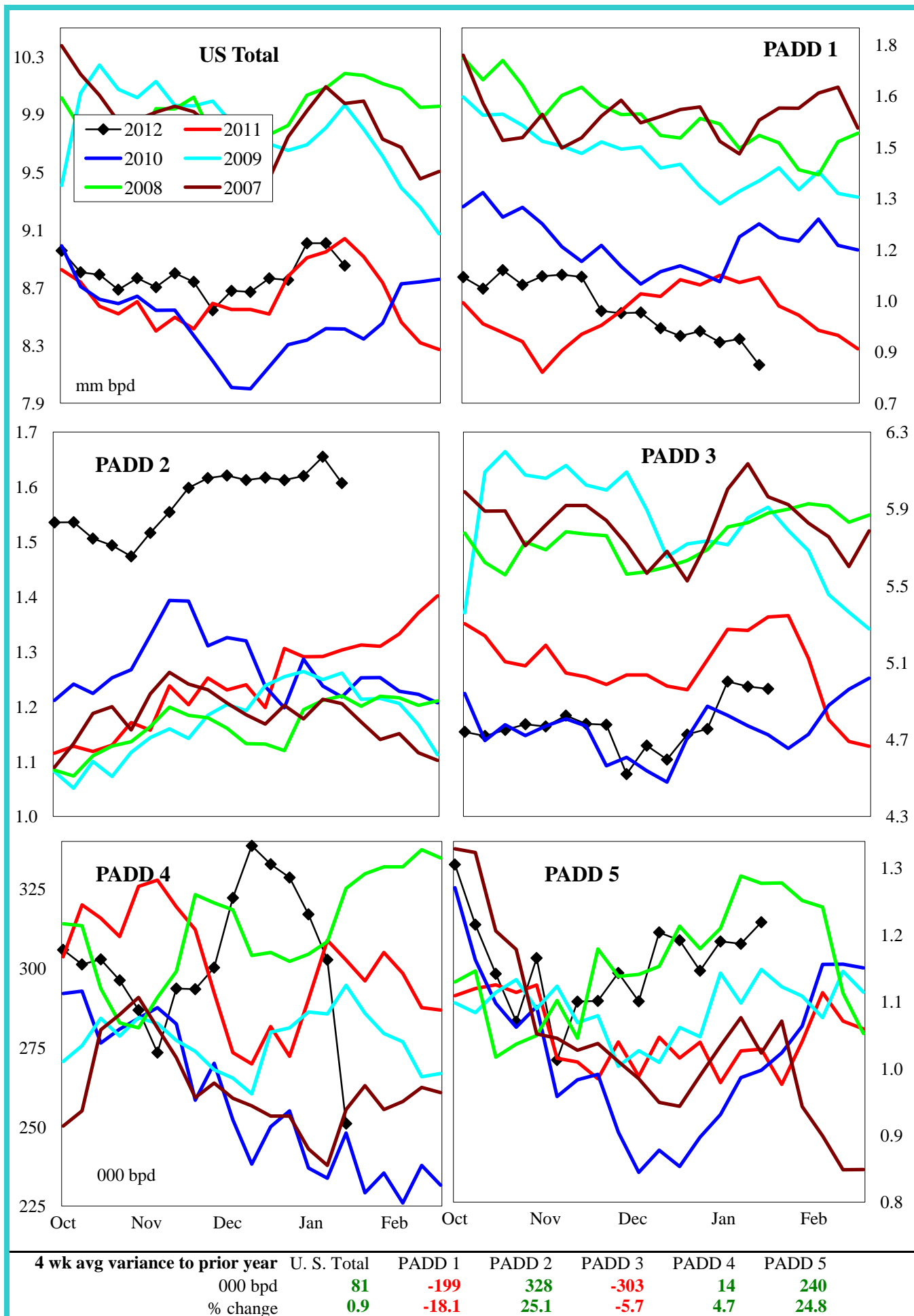
United States Refinery Percent Utilization Rate and Product Yields



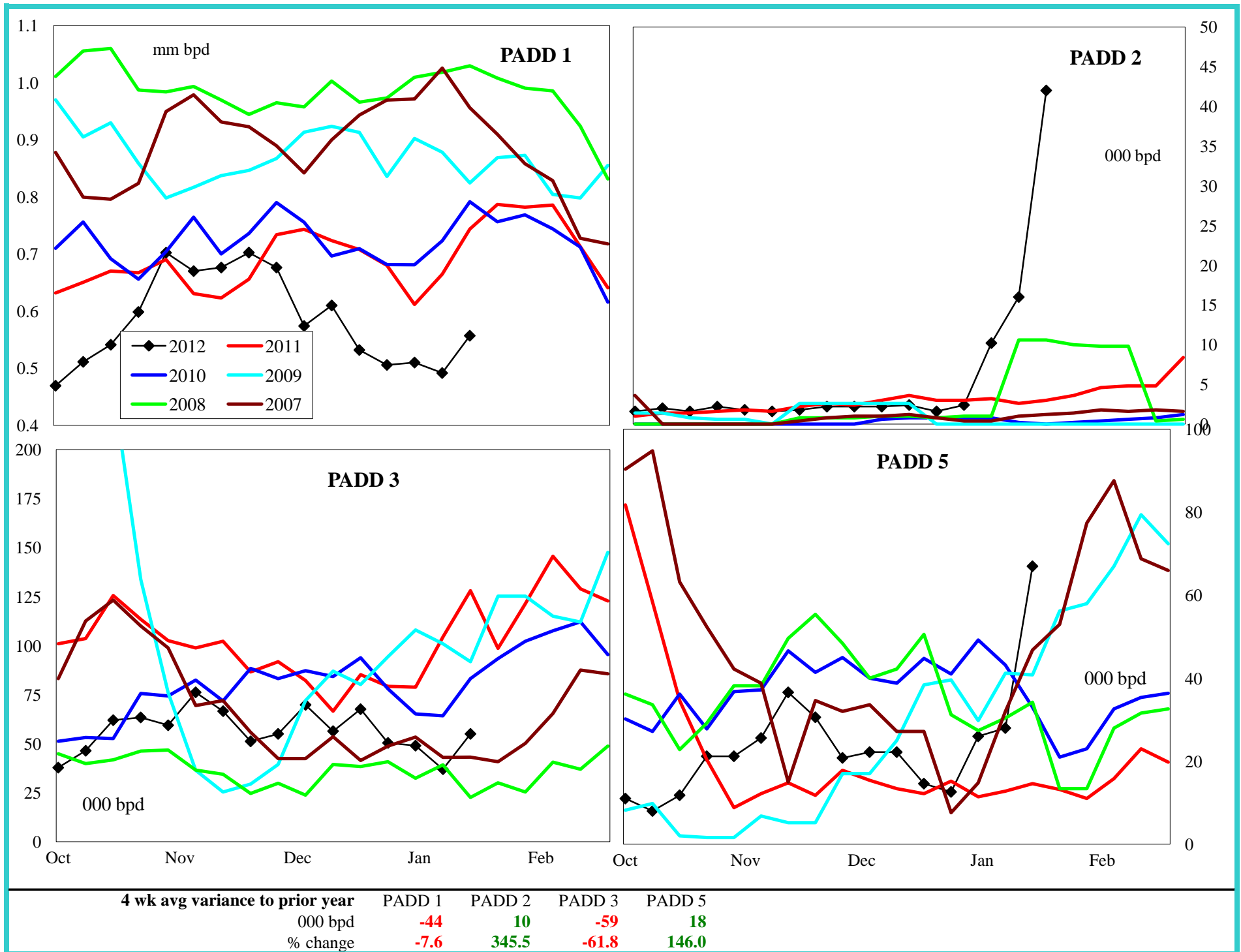
United States Petroleum Imports



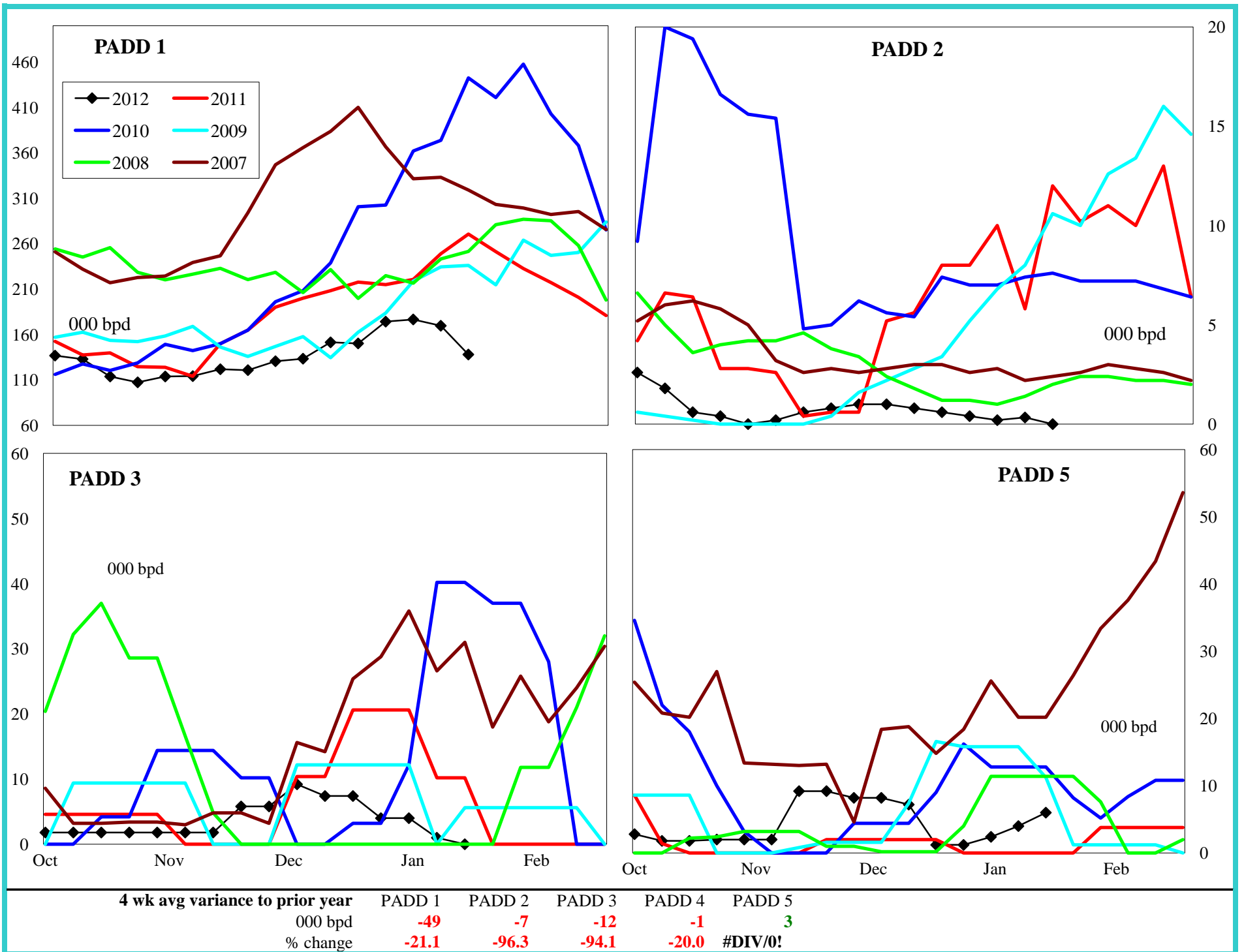
Crude Oil Imports by PADD



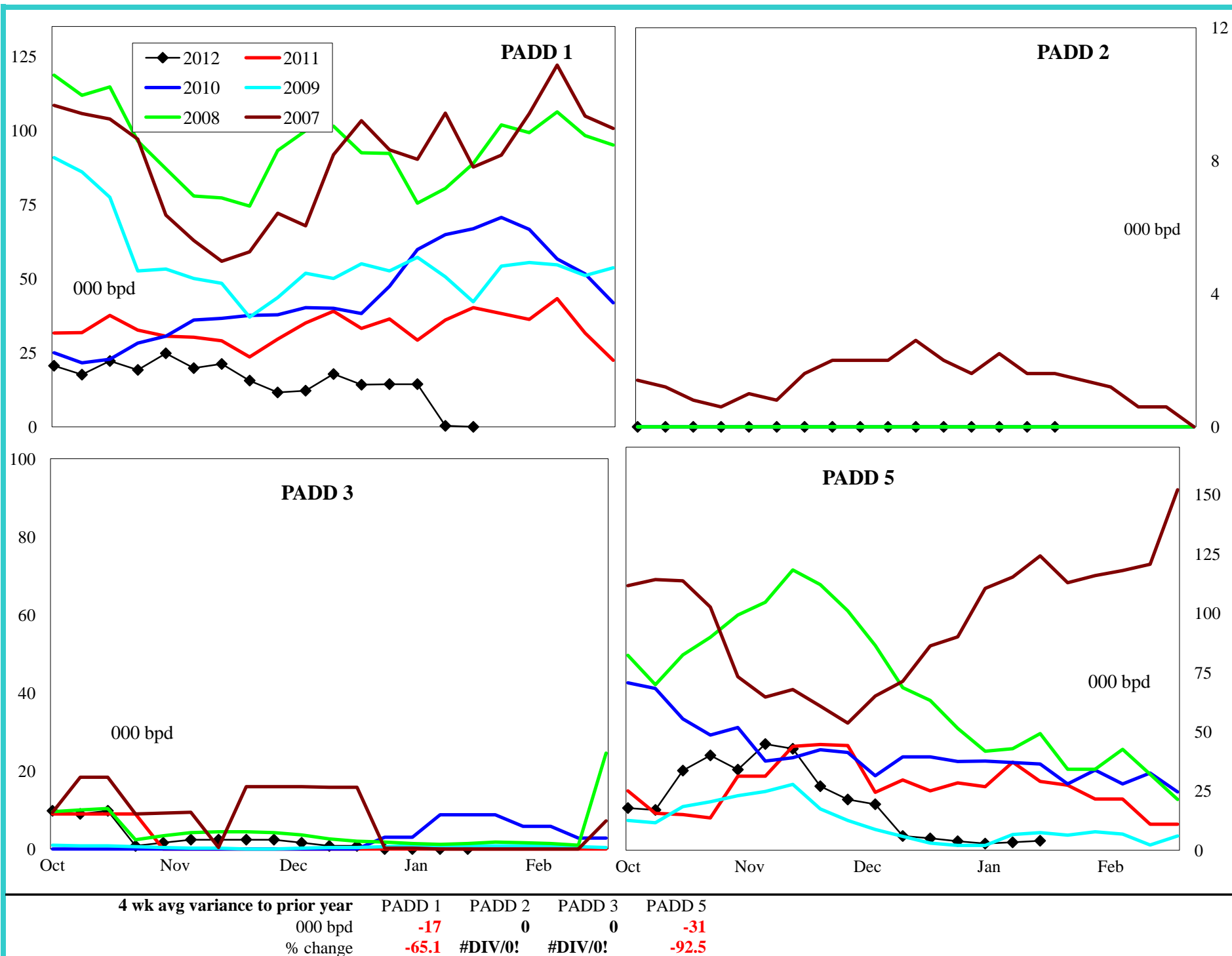
Gasoline Imports by PADD (Finished + Blend Stocks)



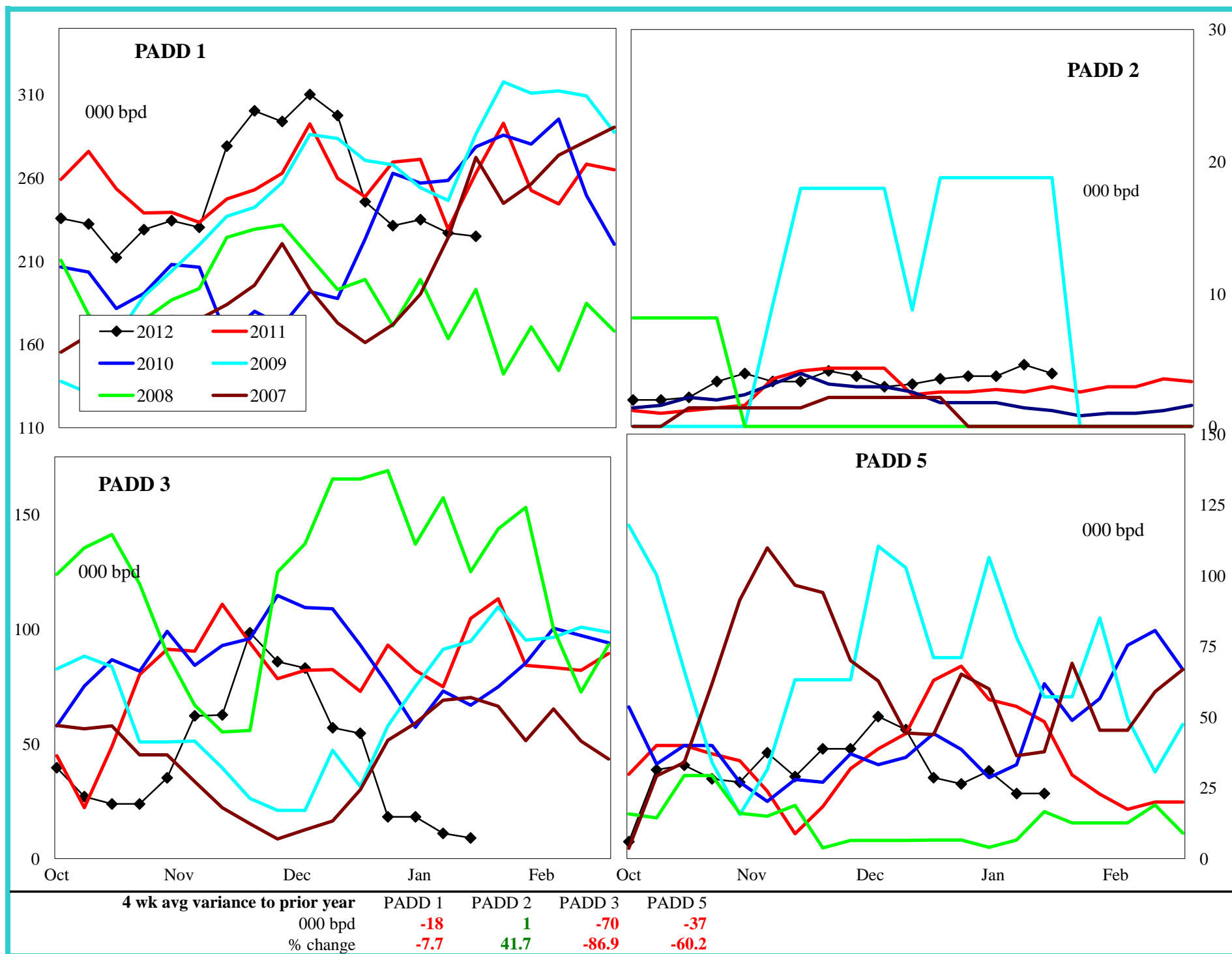
Distillate Imports by PADD



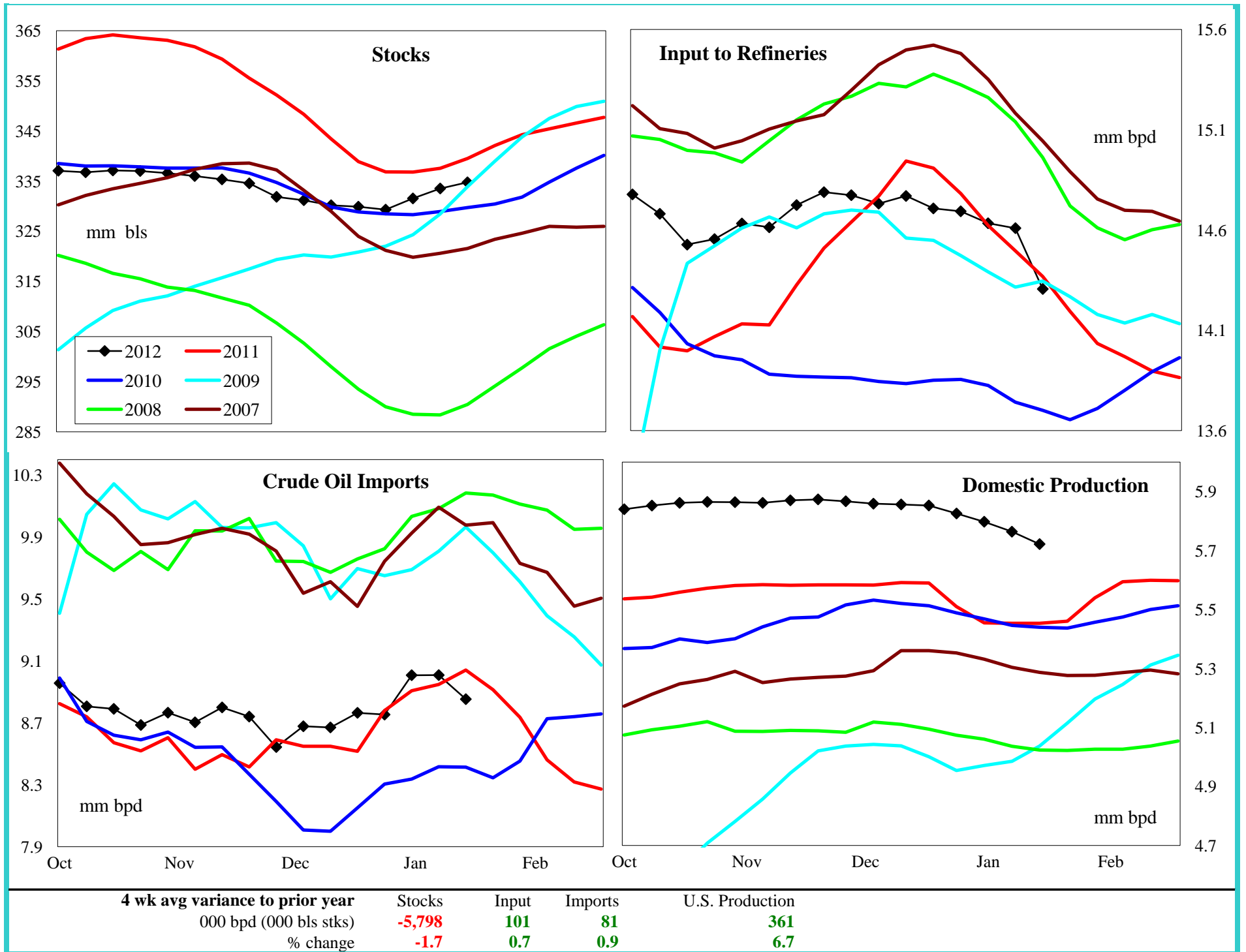
Jet Fuel Imports by PADD



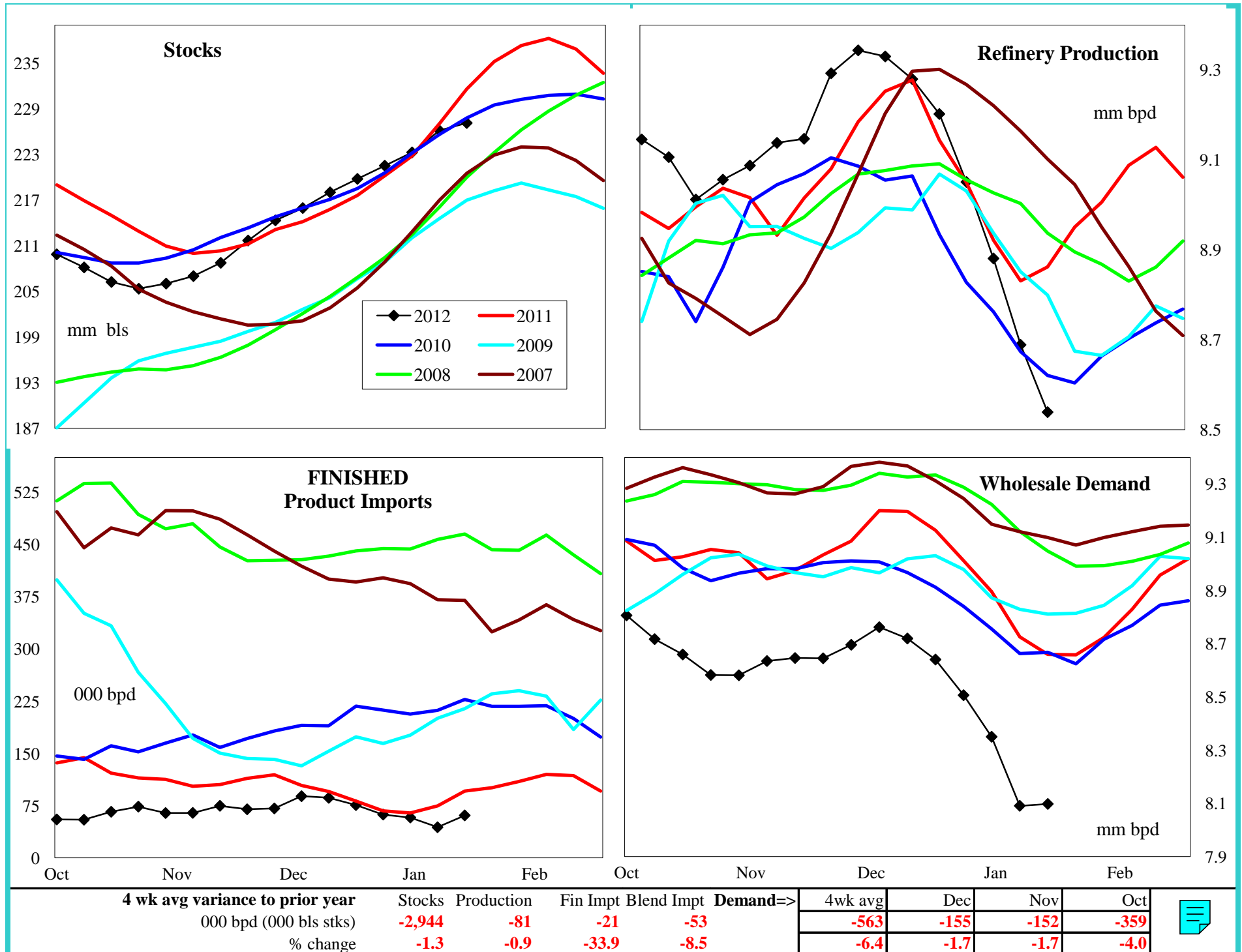
Residual Fuel Oil Imports by PADD



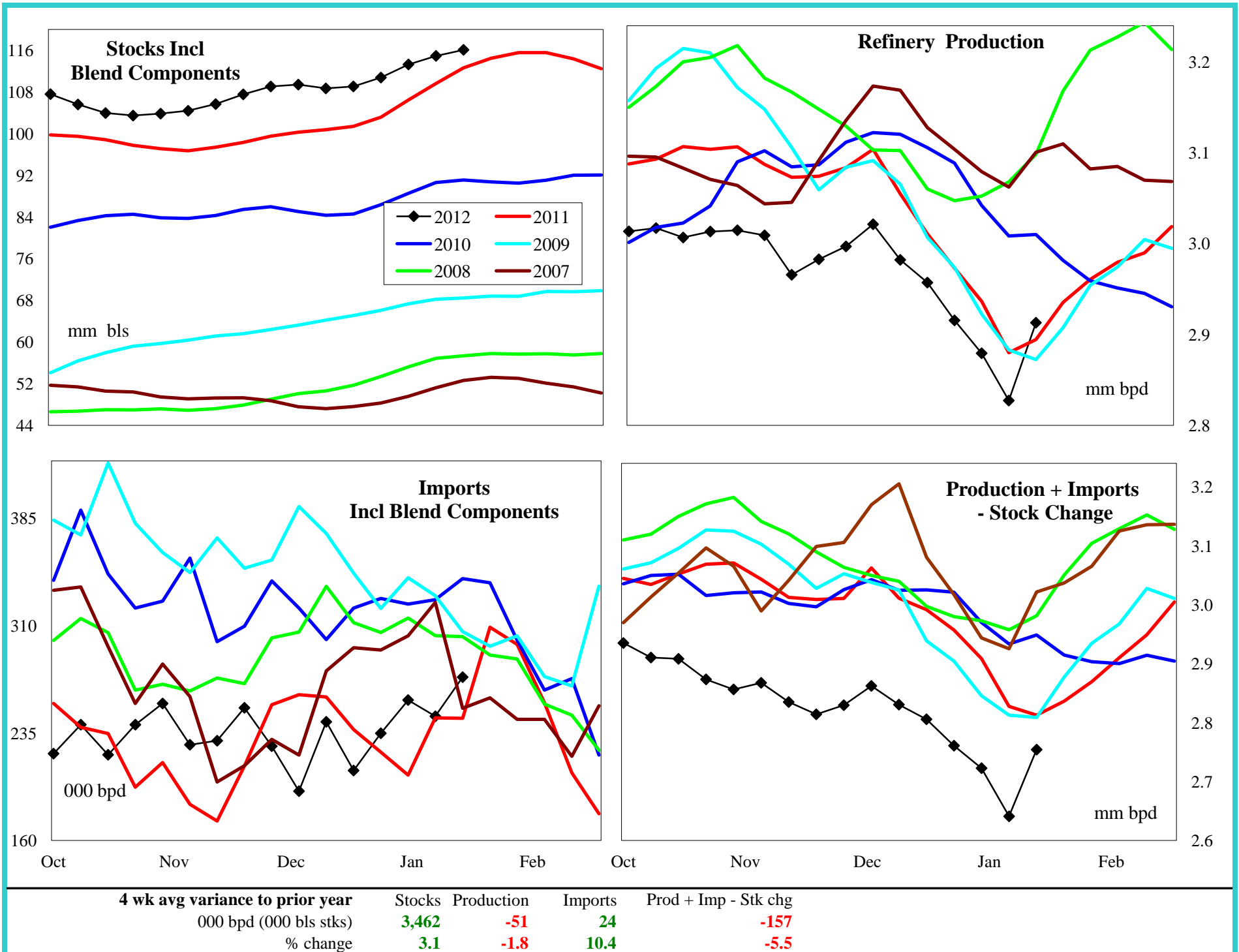
United States Crude Oil Supply and Demand Balance



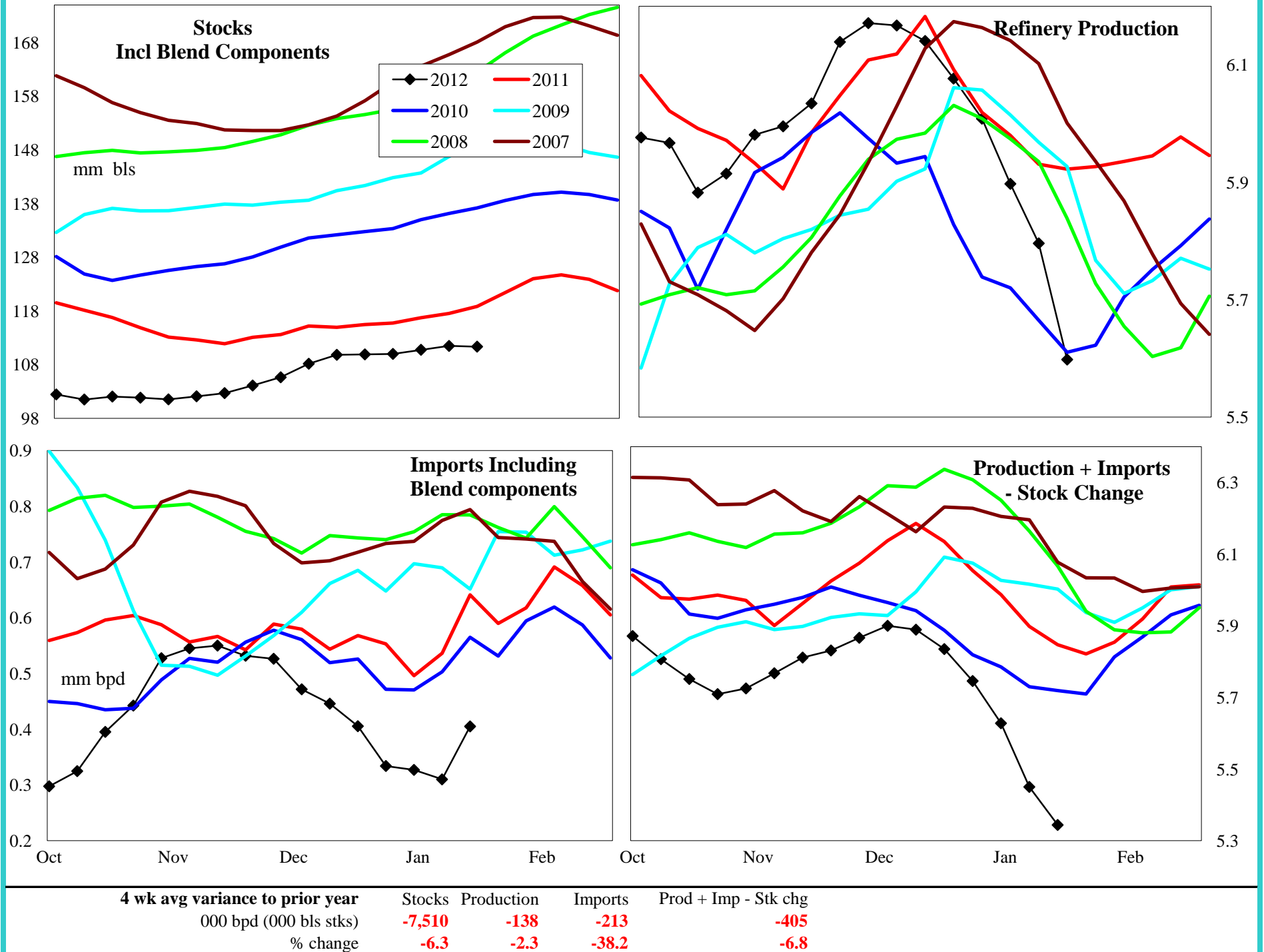
United States Gasoline Supply and Demand Balance



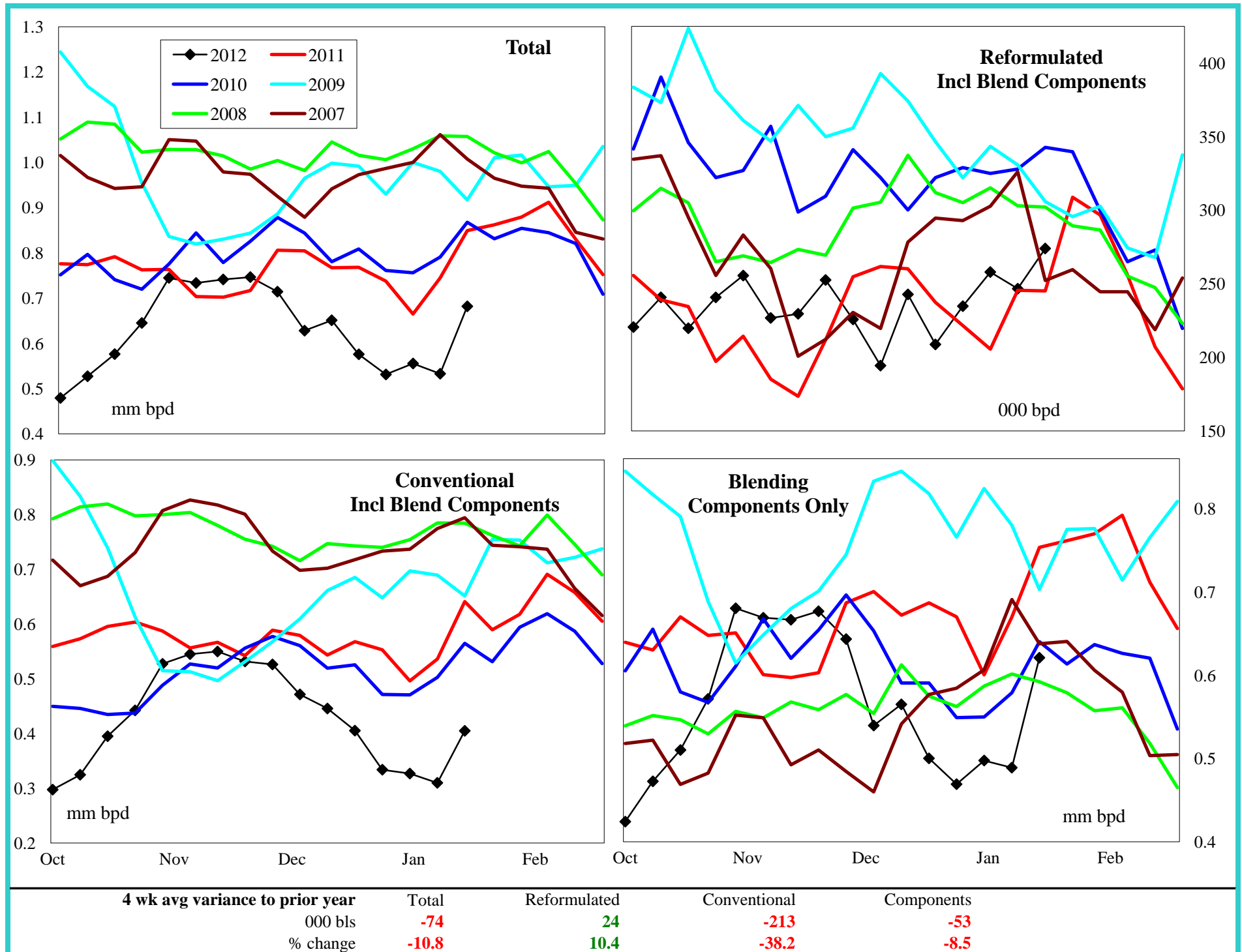
United States Reformulated Gasoline Supply



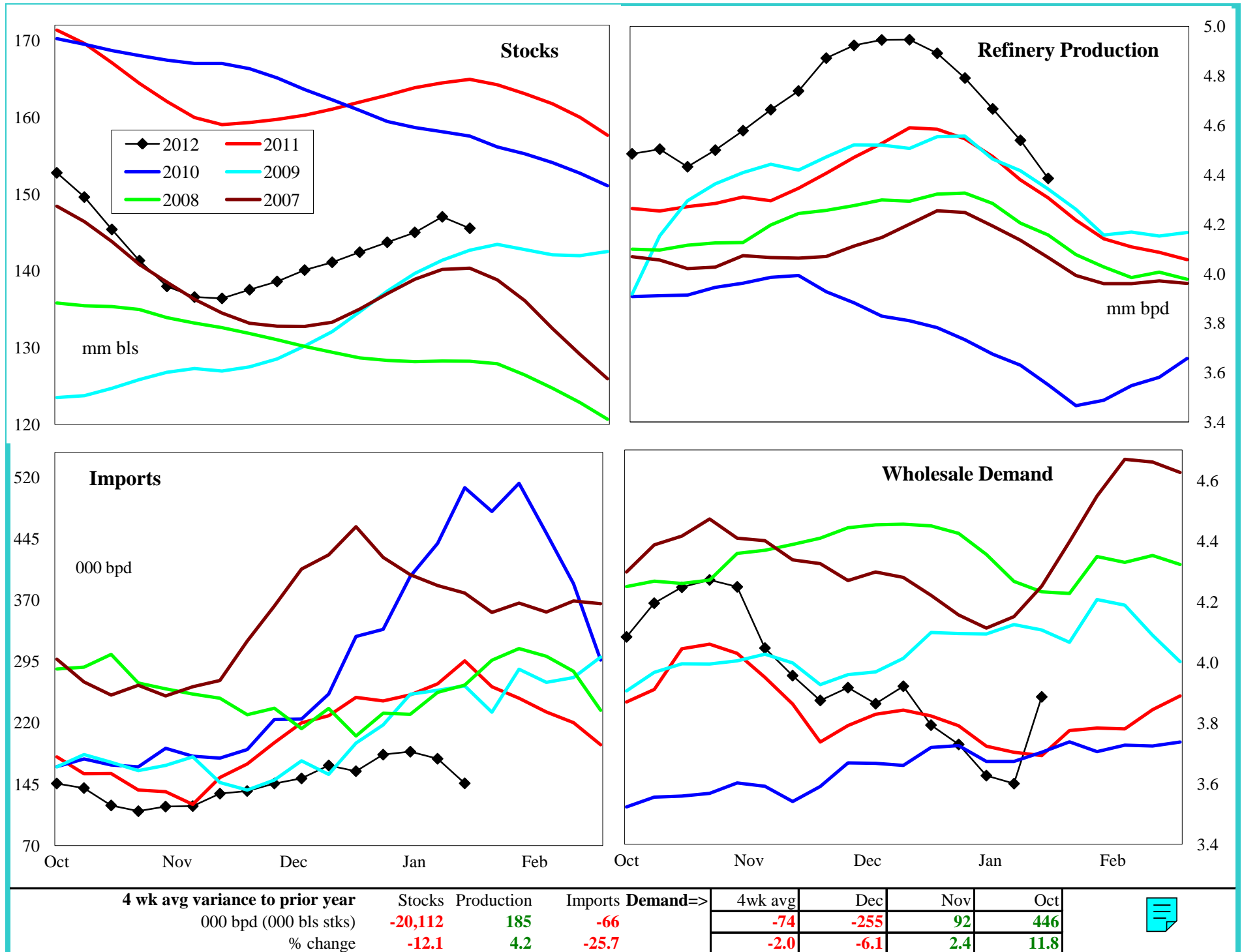
United States Conventional Gasoline Supply



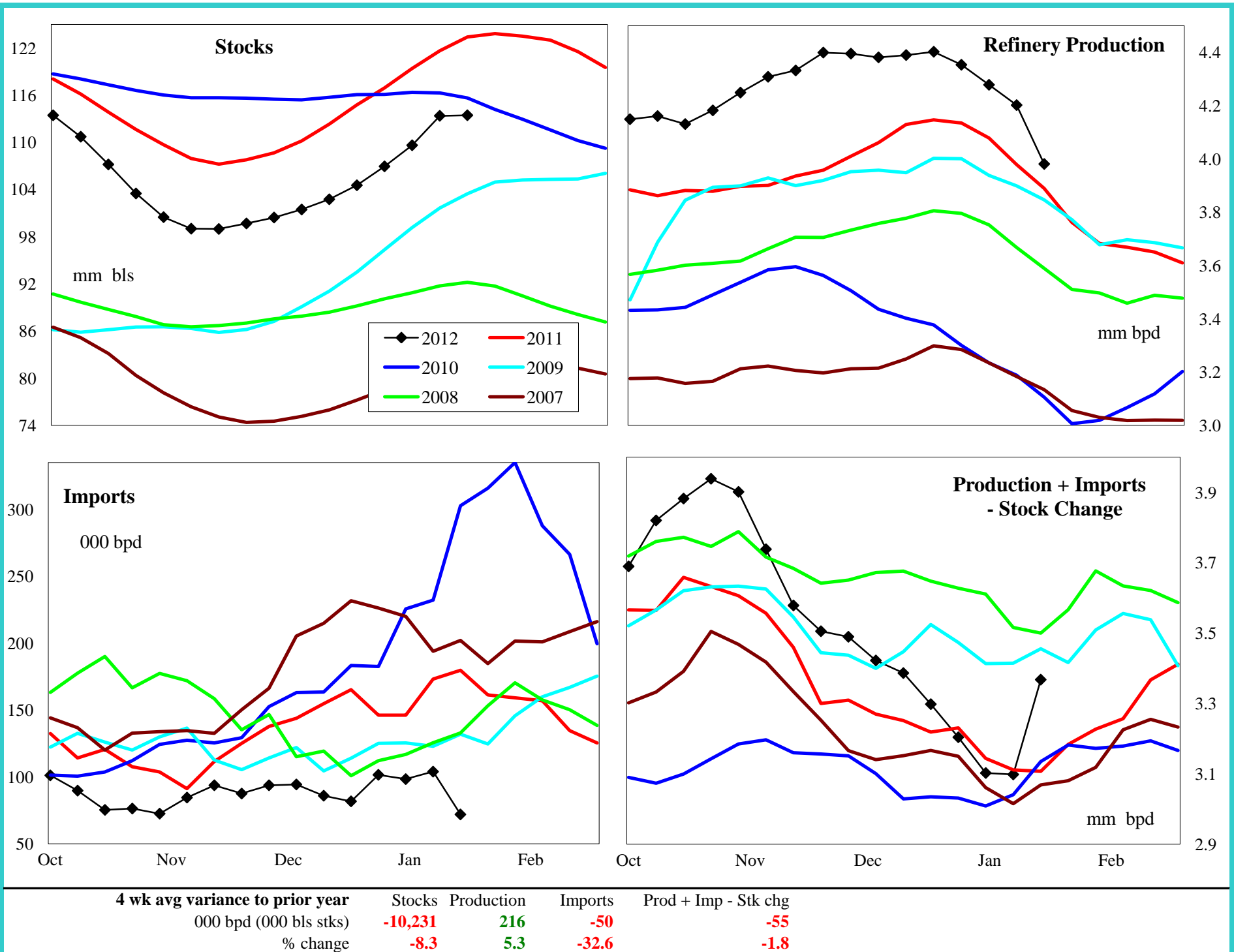
United States Gasoline Imports by Type



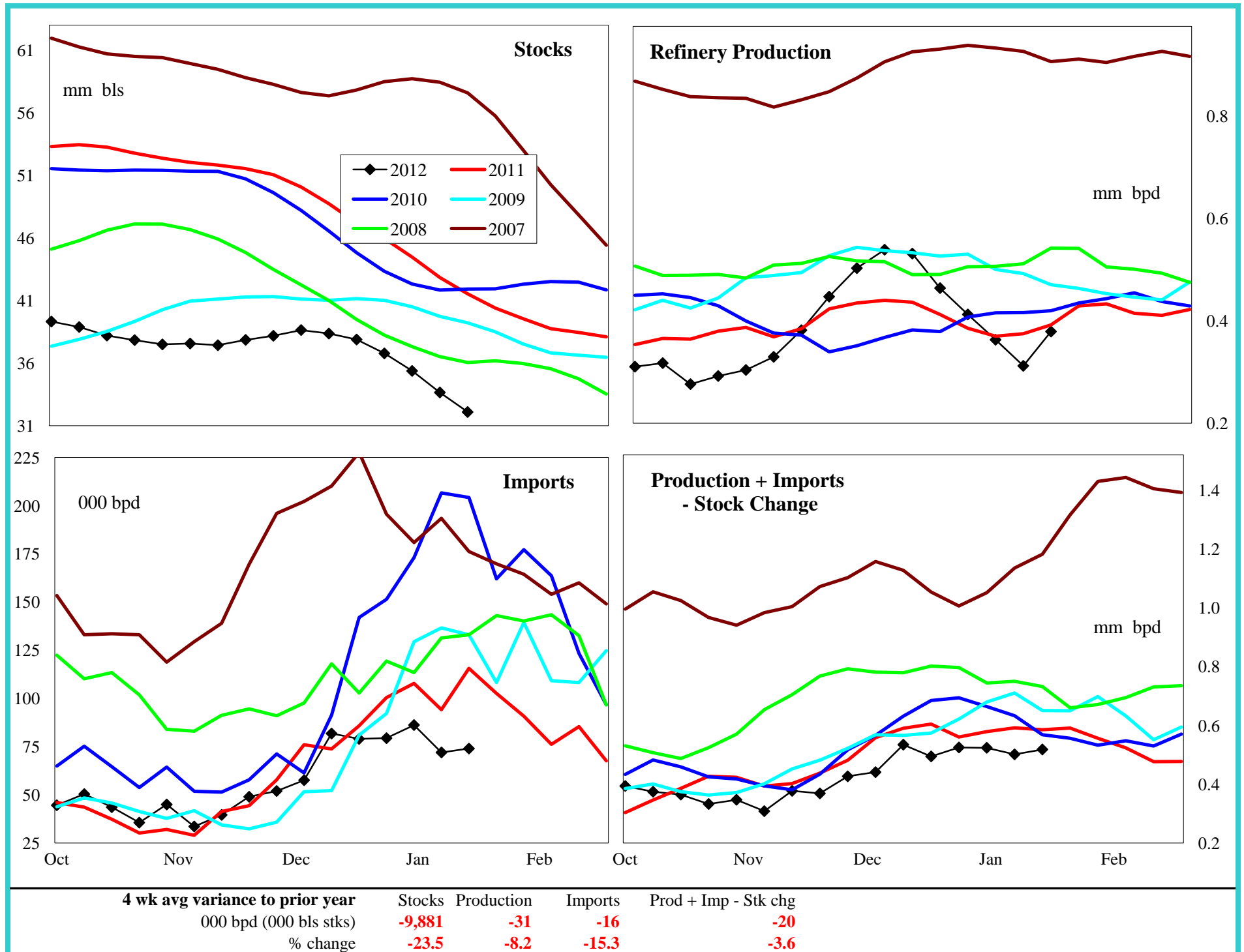
United States Distillate Supply and Demand Balance



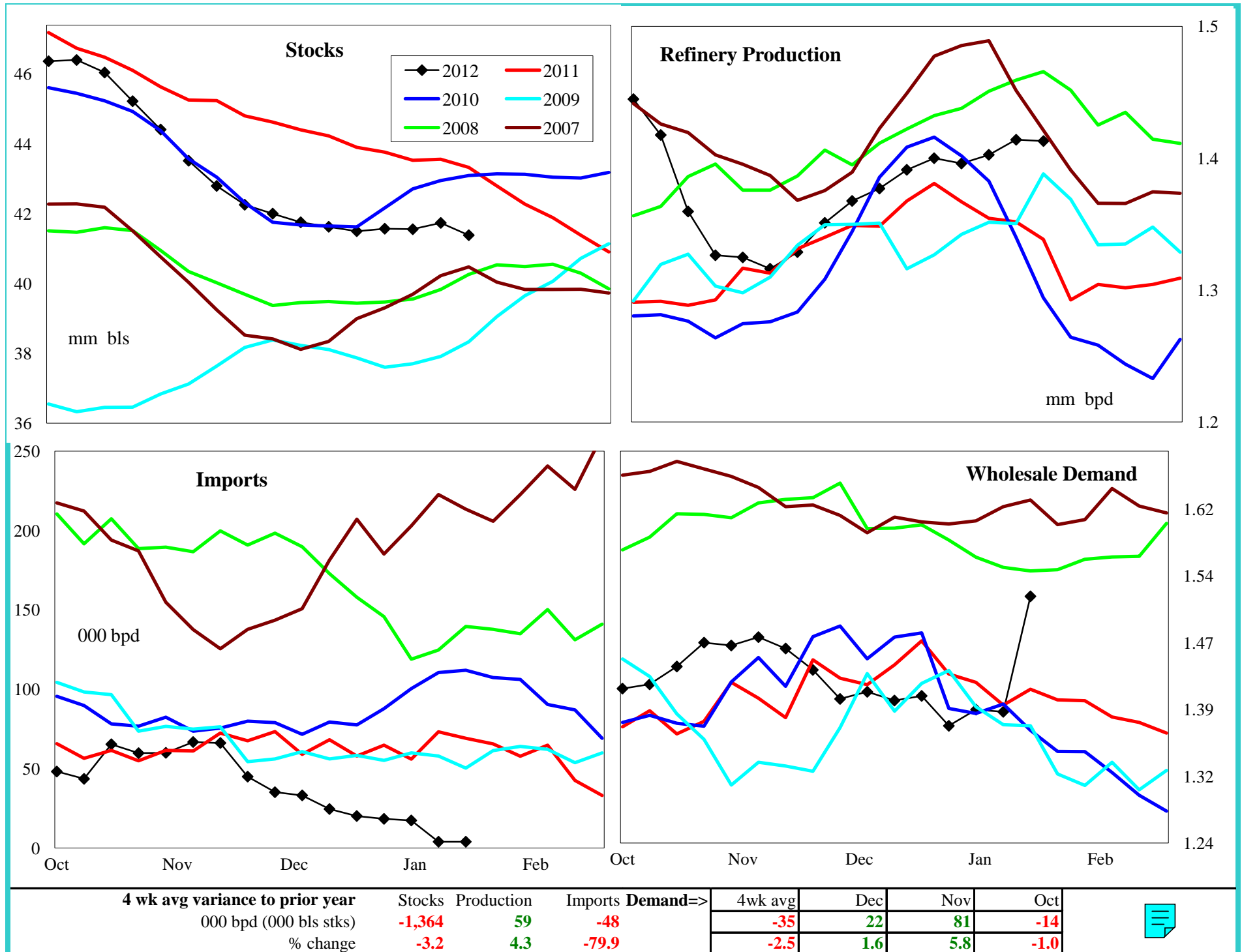
United States Low Sulfur Distillate Supply



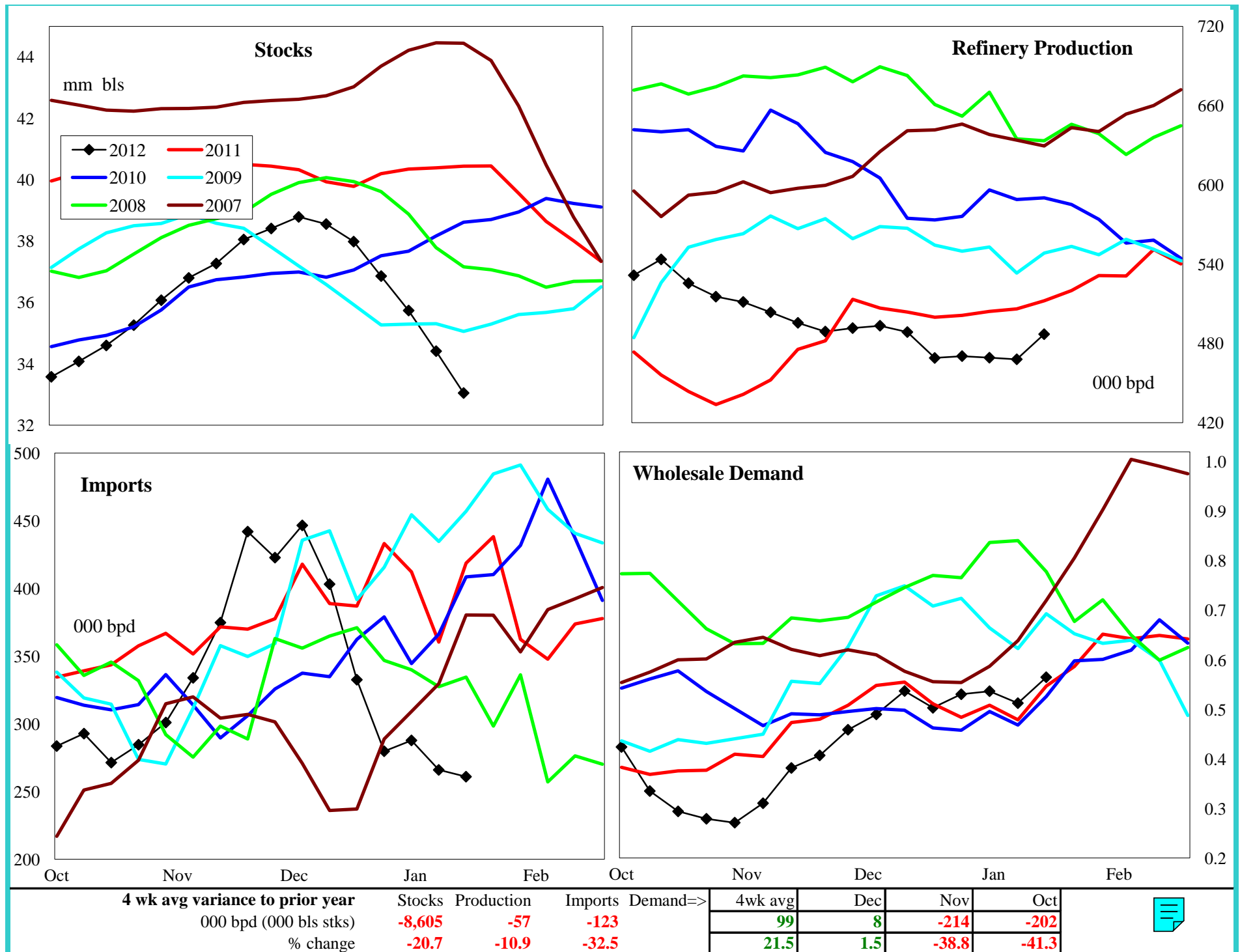
United States High Sulfur Distillate Supply



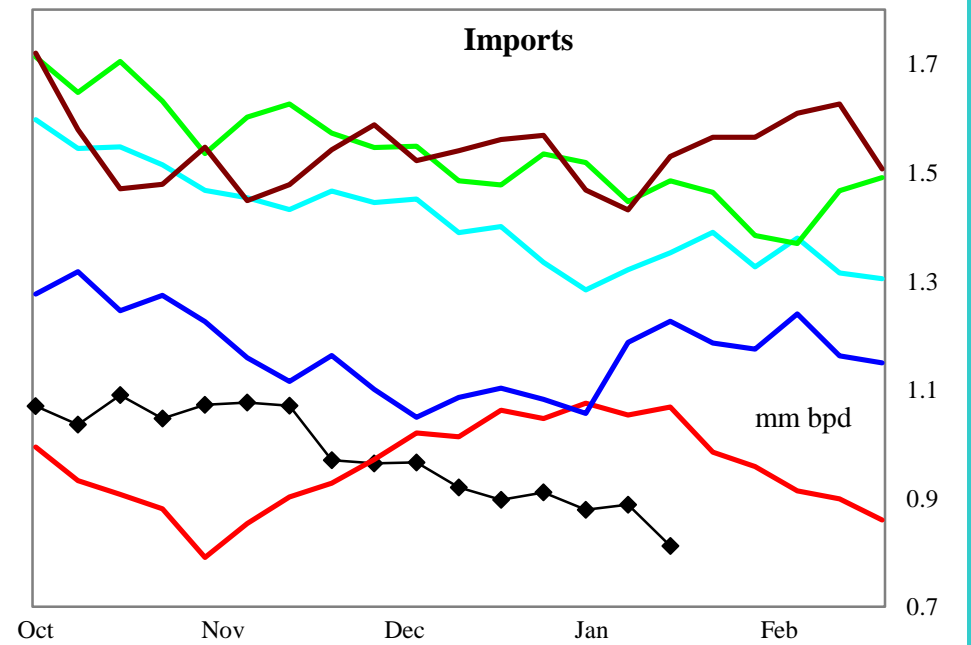
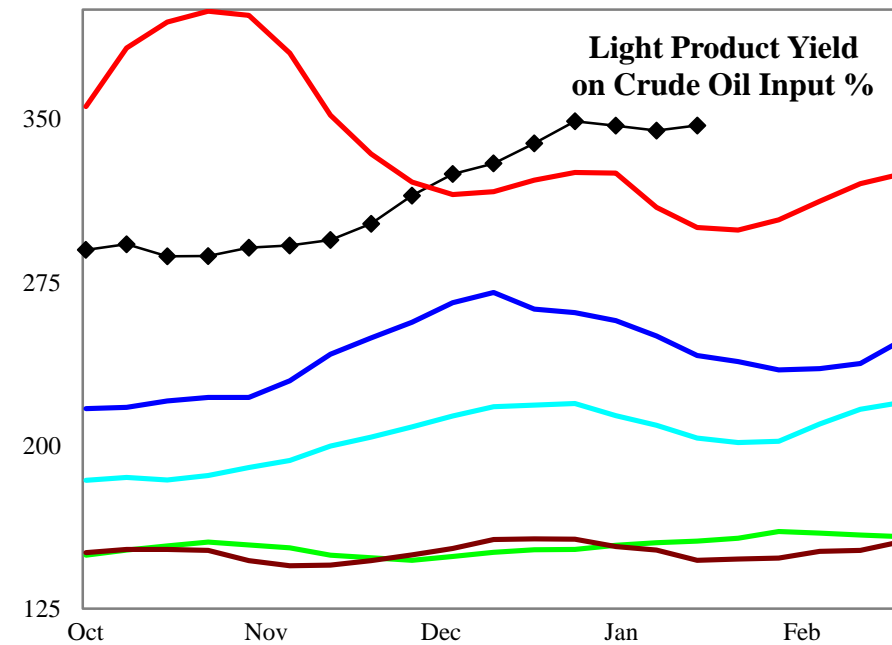
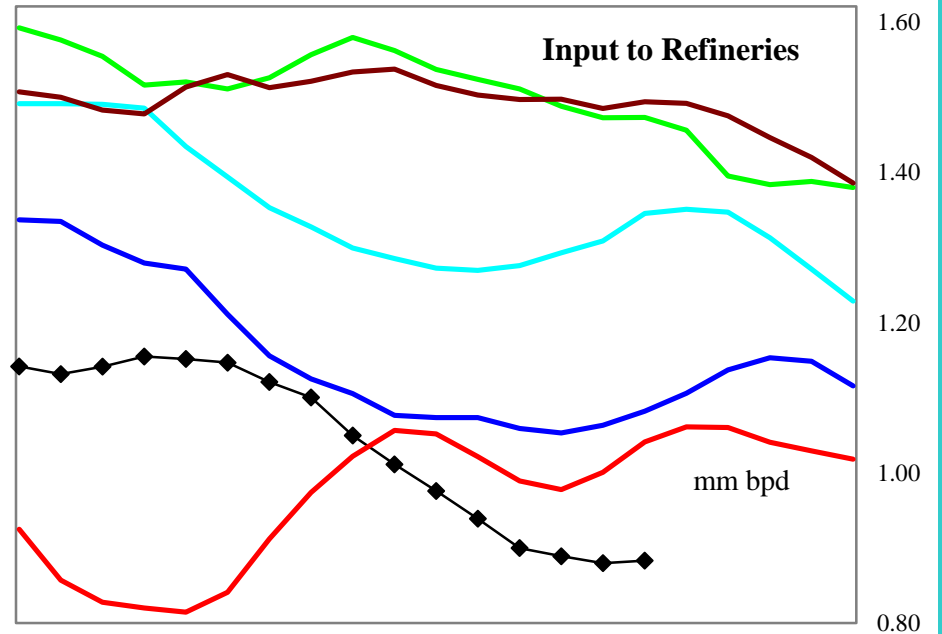
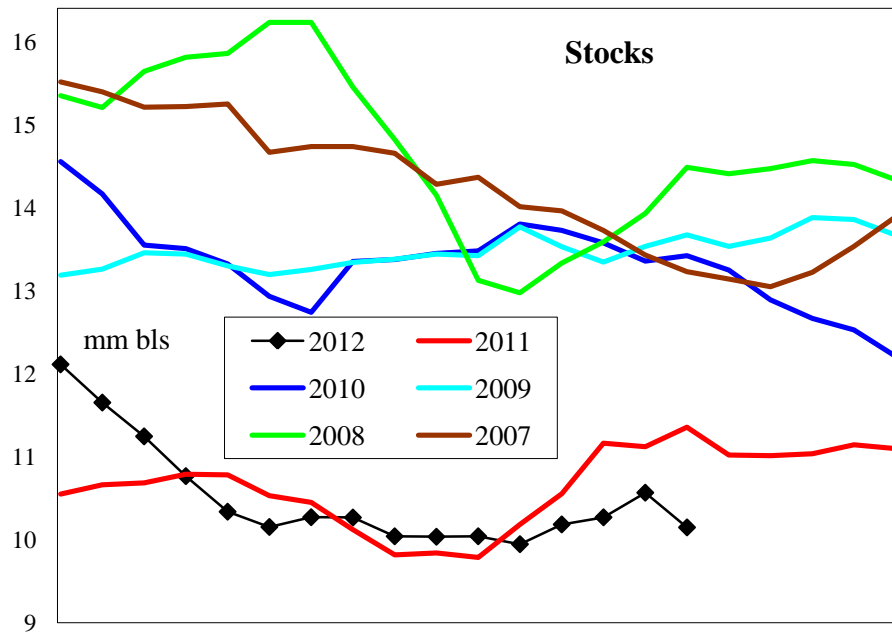
United States Jet Fuel Supply and Demand Balance



United States Residual Fuel Oil Supply and Demand Balance



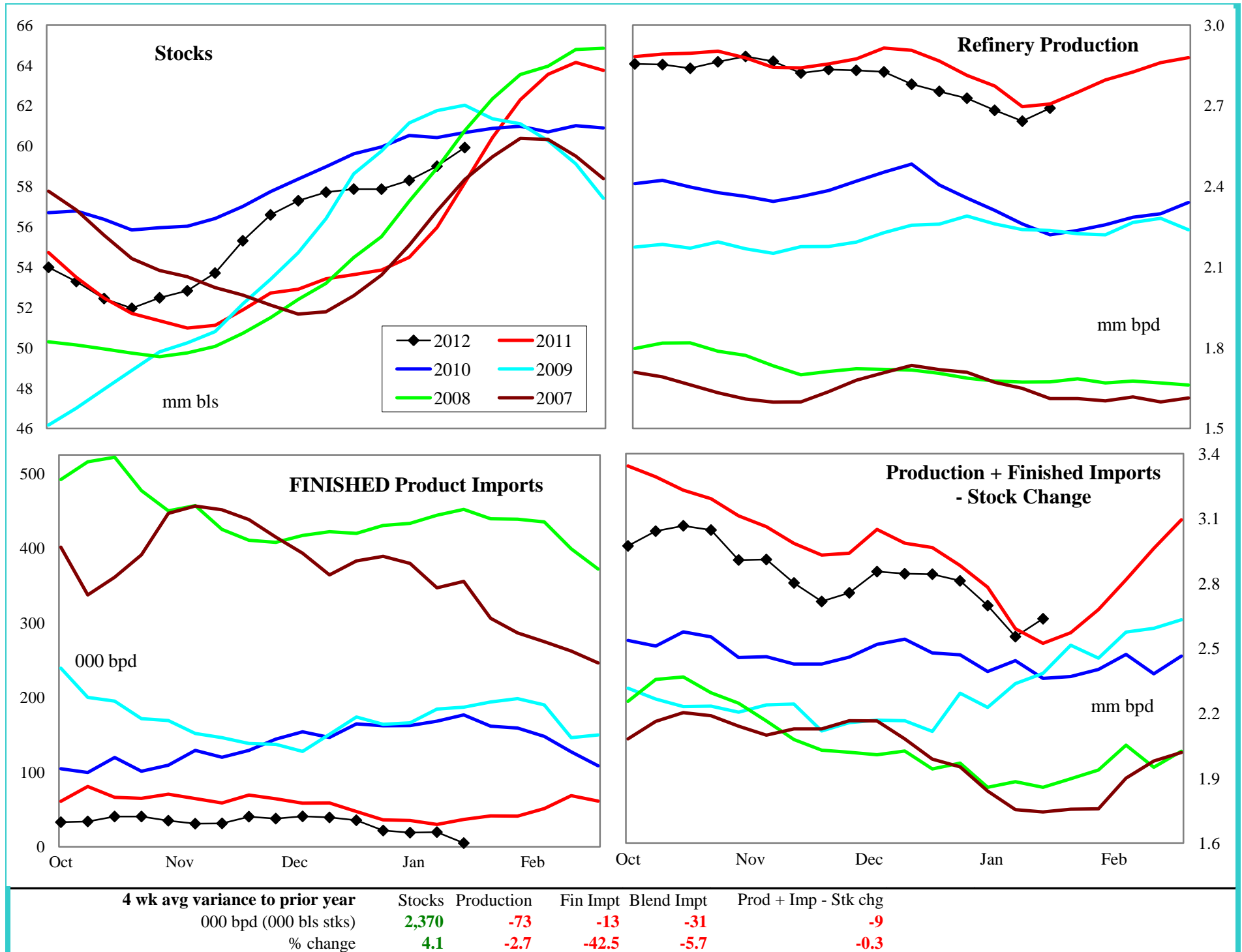
PADD 1 Crude Oil Supply and Refining



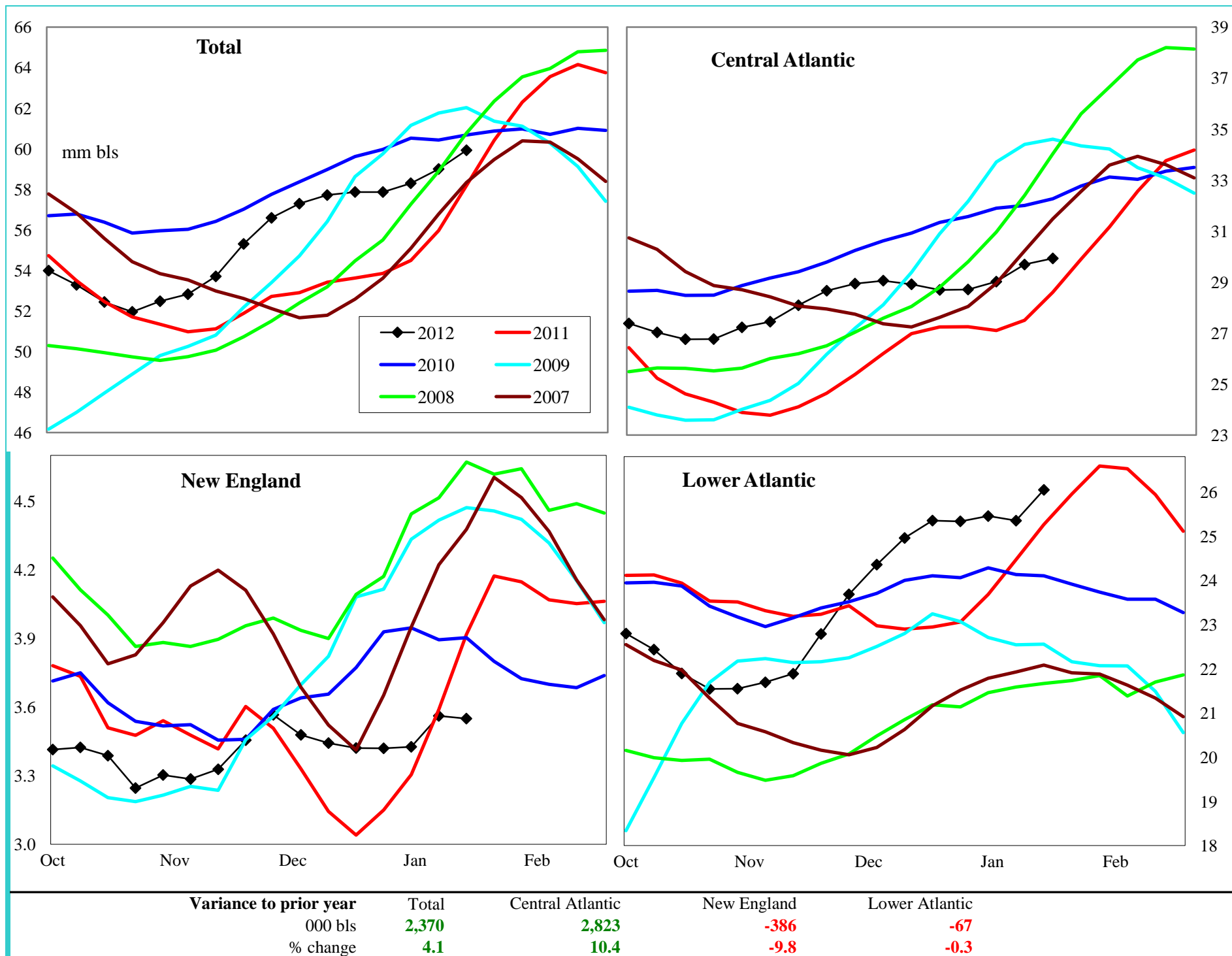
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

	Stocks	Input	Imports
000 bpd (000 bls stks)	-1,207	-85	-199
% change	-10.6	-8.7	-18.1

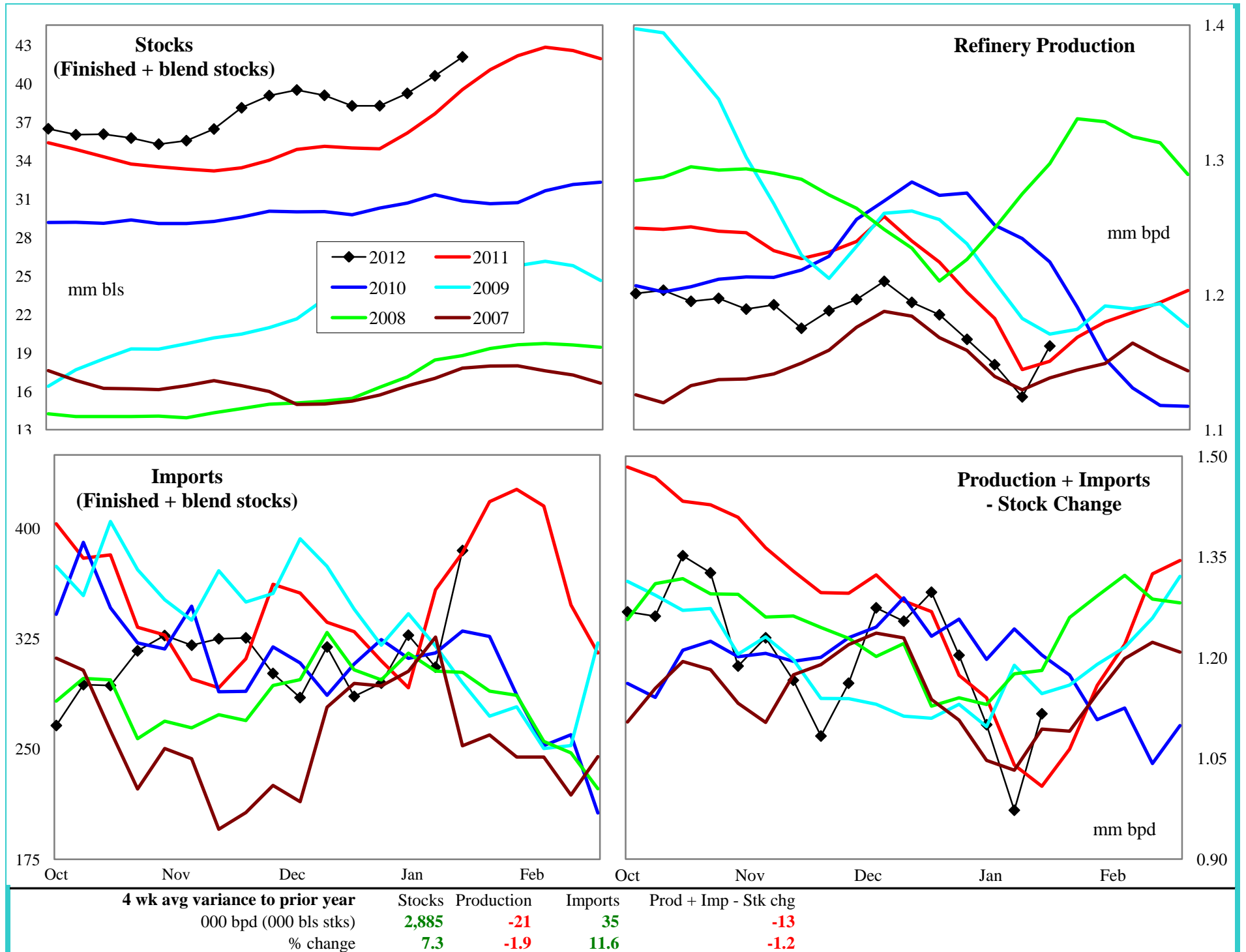
PADD 1 Gasoline Supply



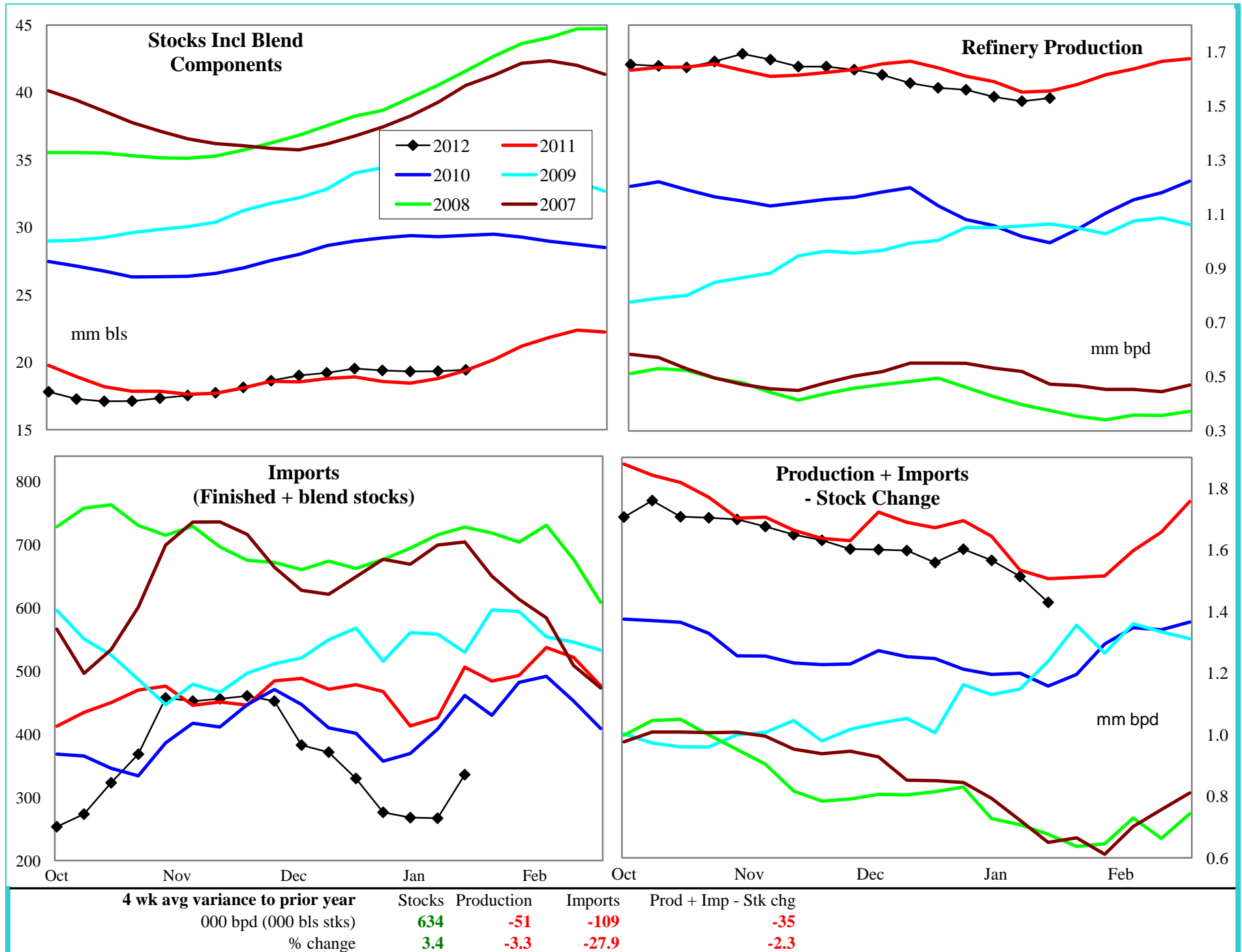
PADD 1 Gasoline Stocks by Region



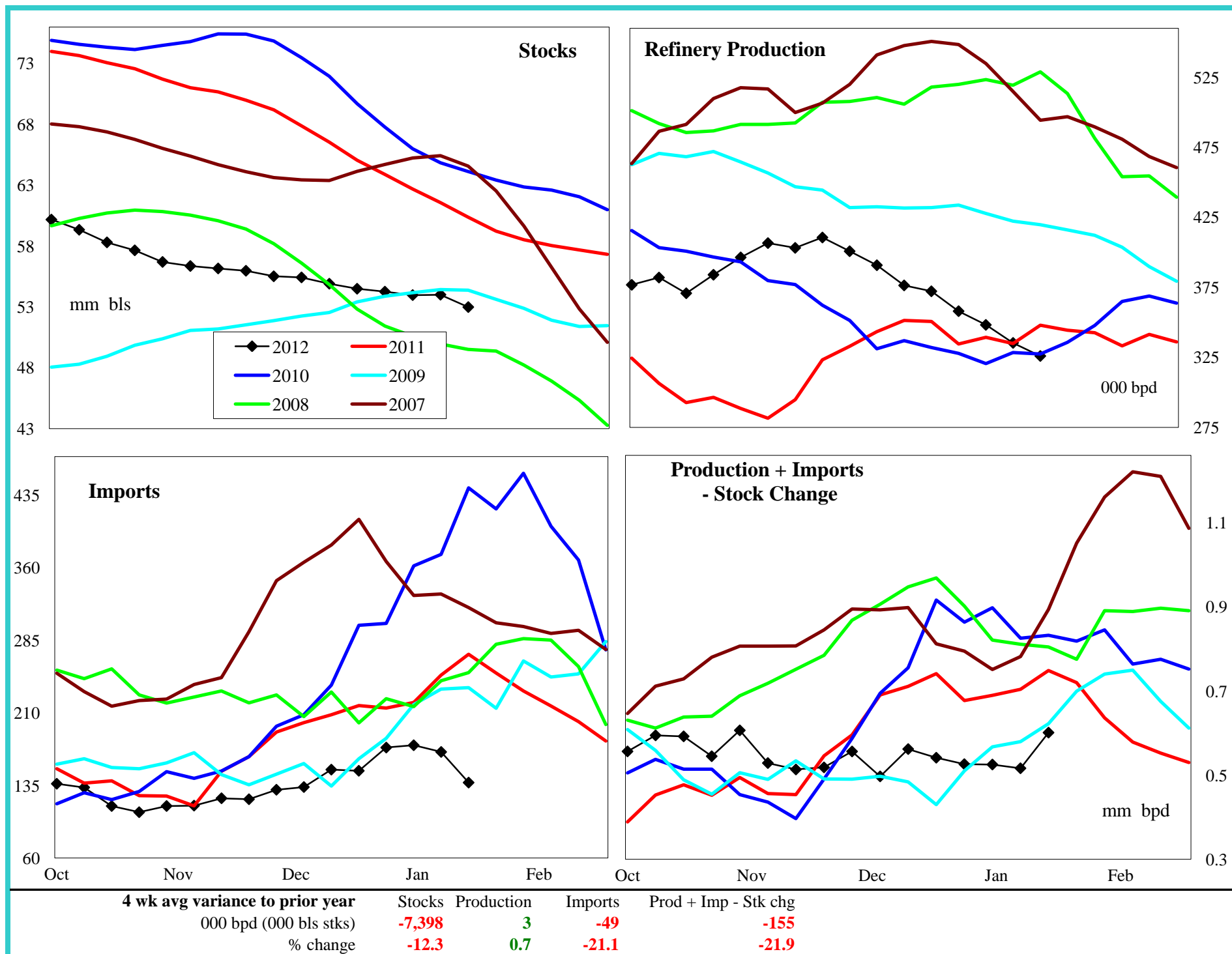
PADD 1 Reformulated Gasoline Supply



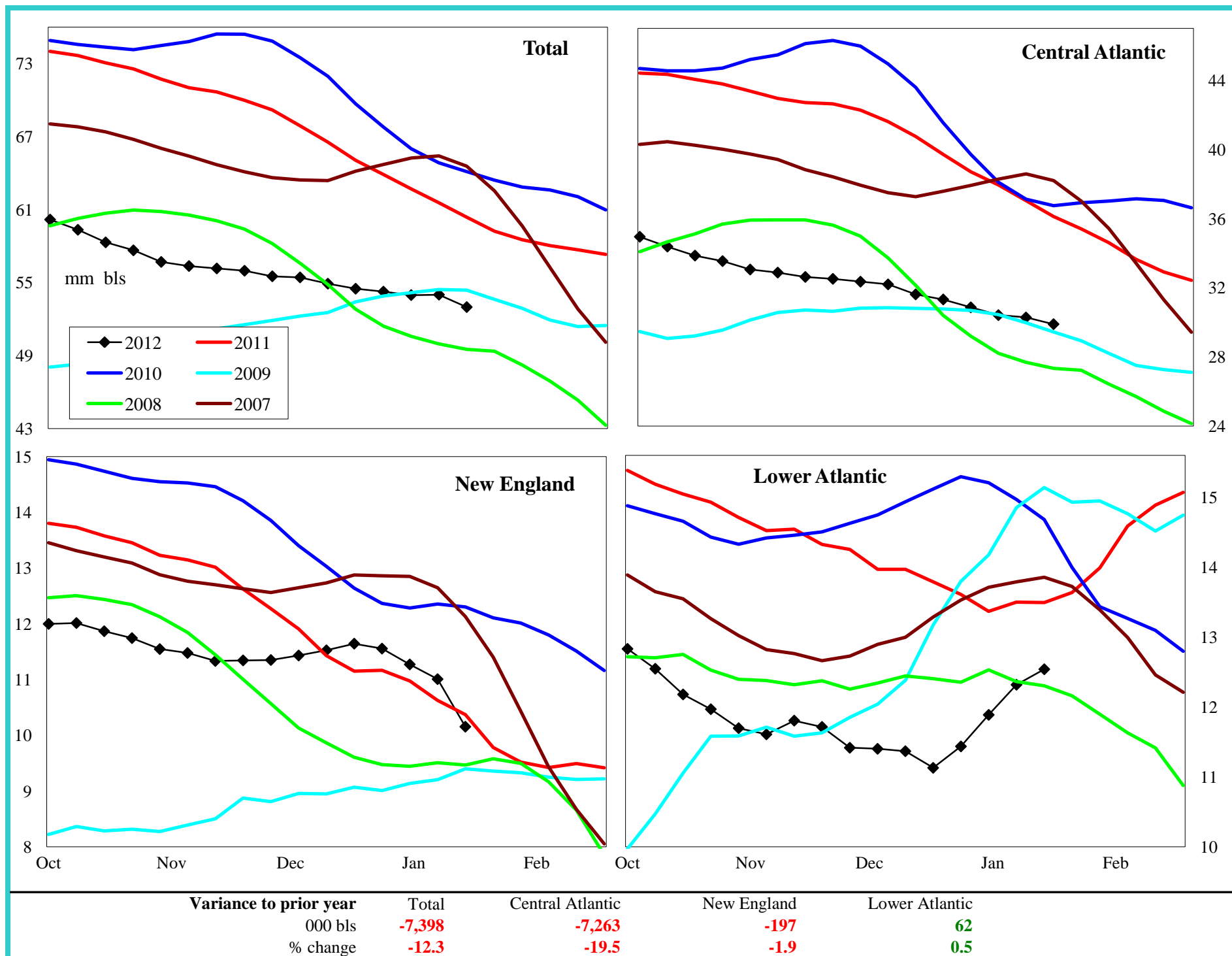
PADD 1 Conventional Gasoline Supply



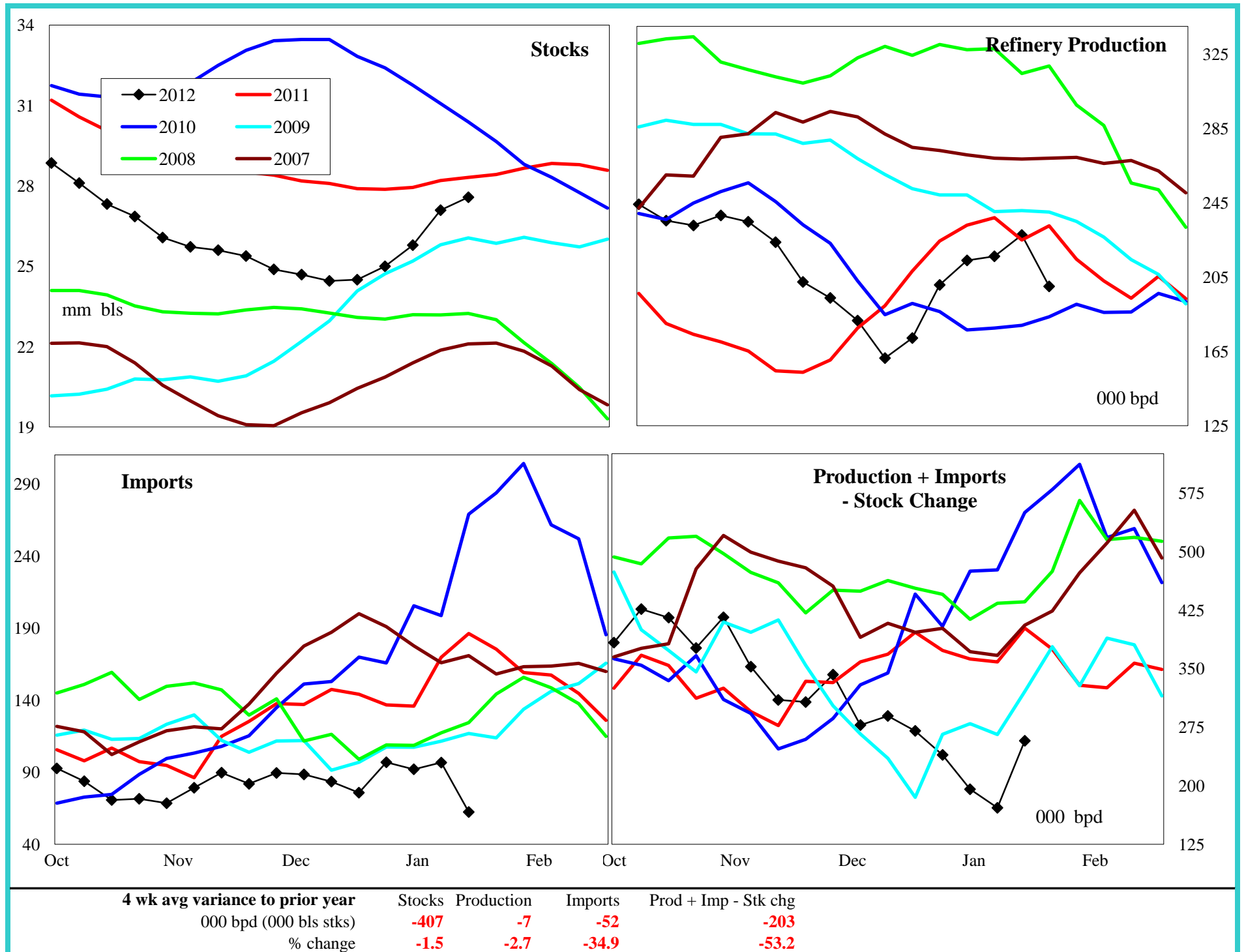
PADD 1 Distillate Supply



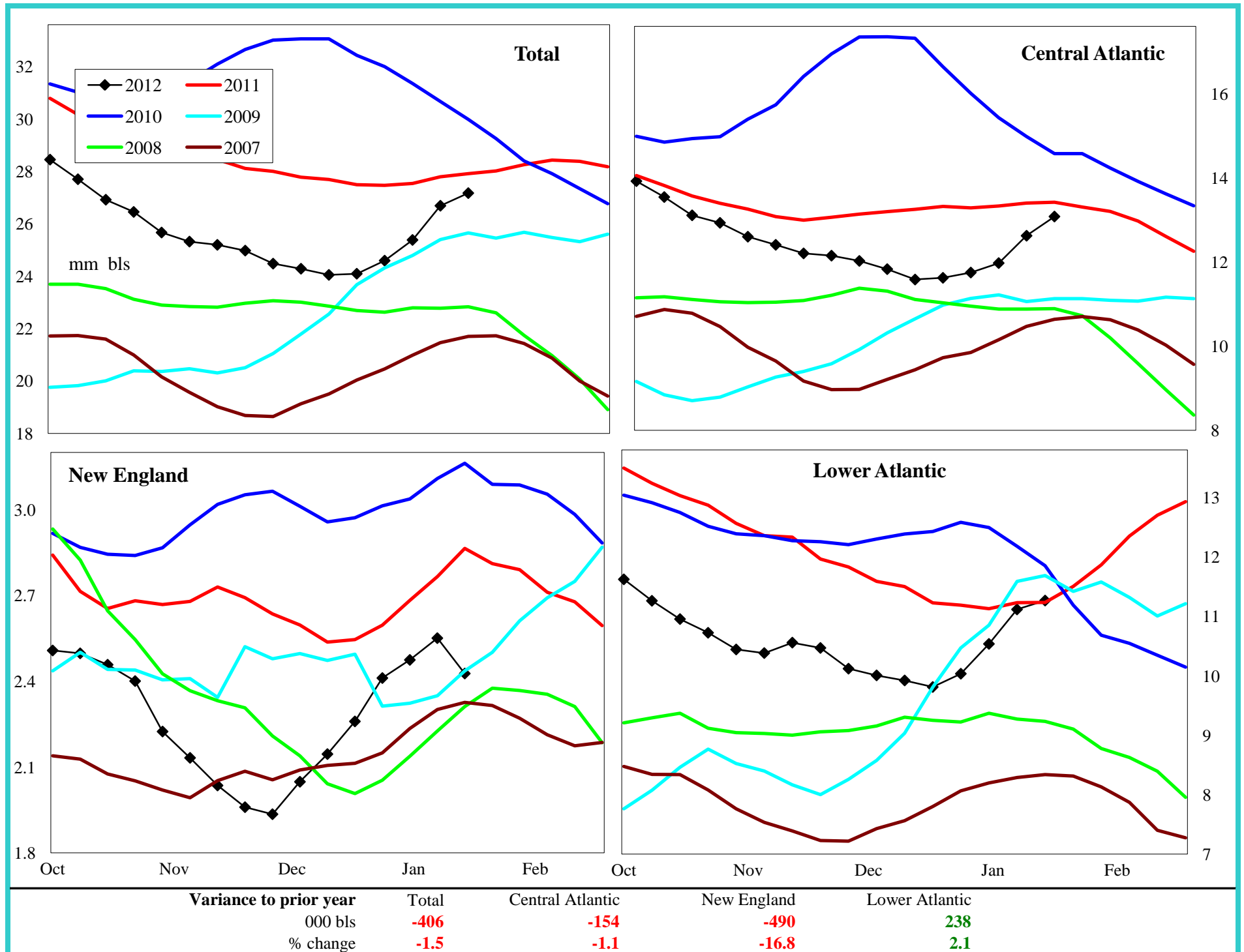
PADD 1 Distillate Stocks by Region



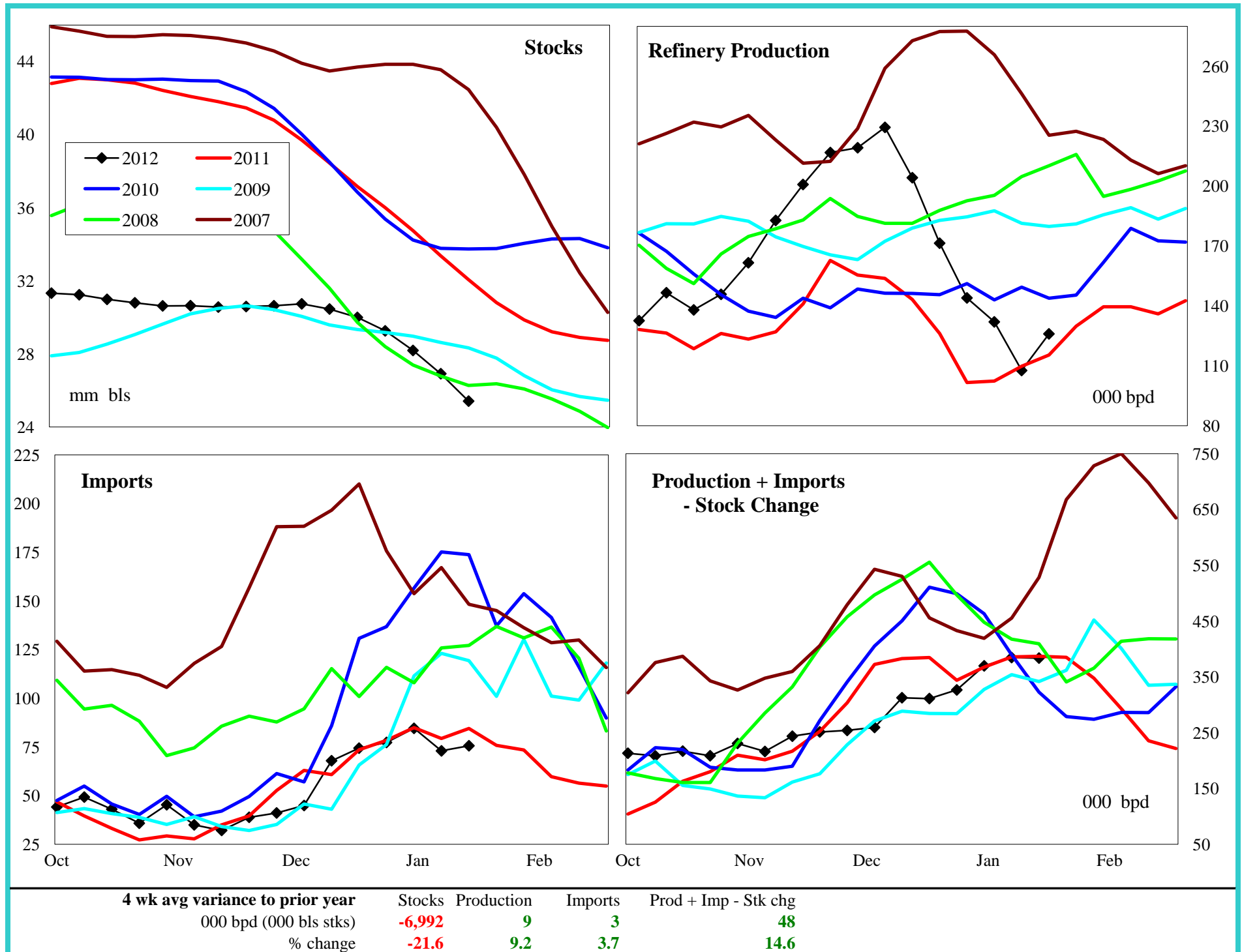
PADD 1 Low Sulfur Distillate Supply



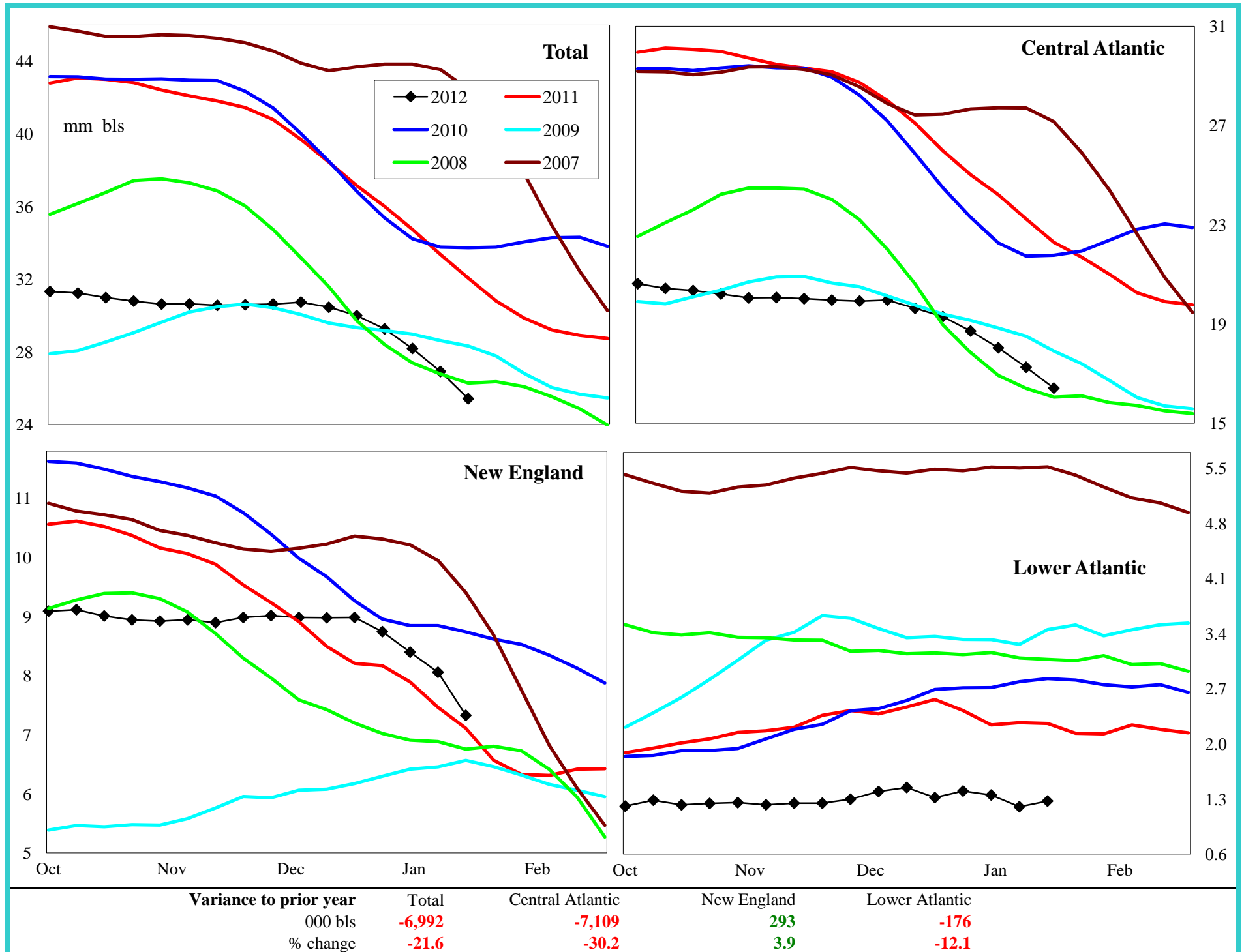
PADD 1 Low Sulfur Distillate Stocks by Region



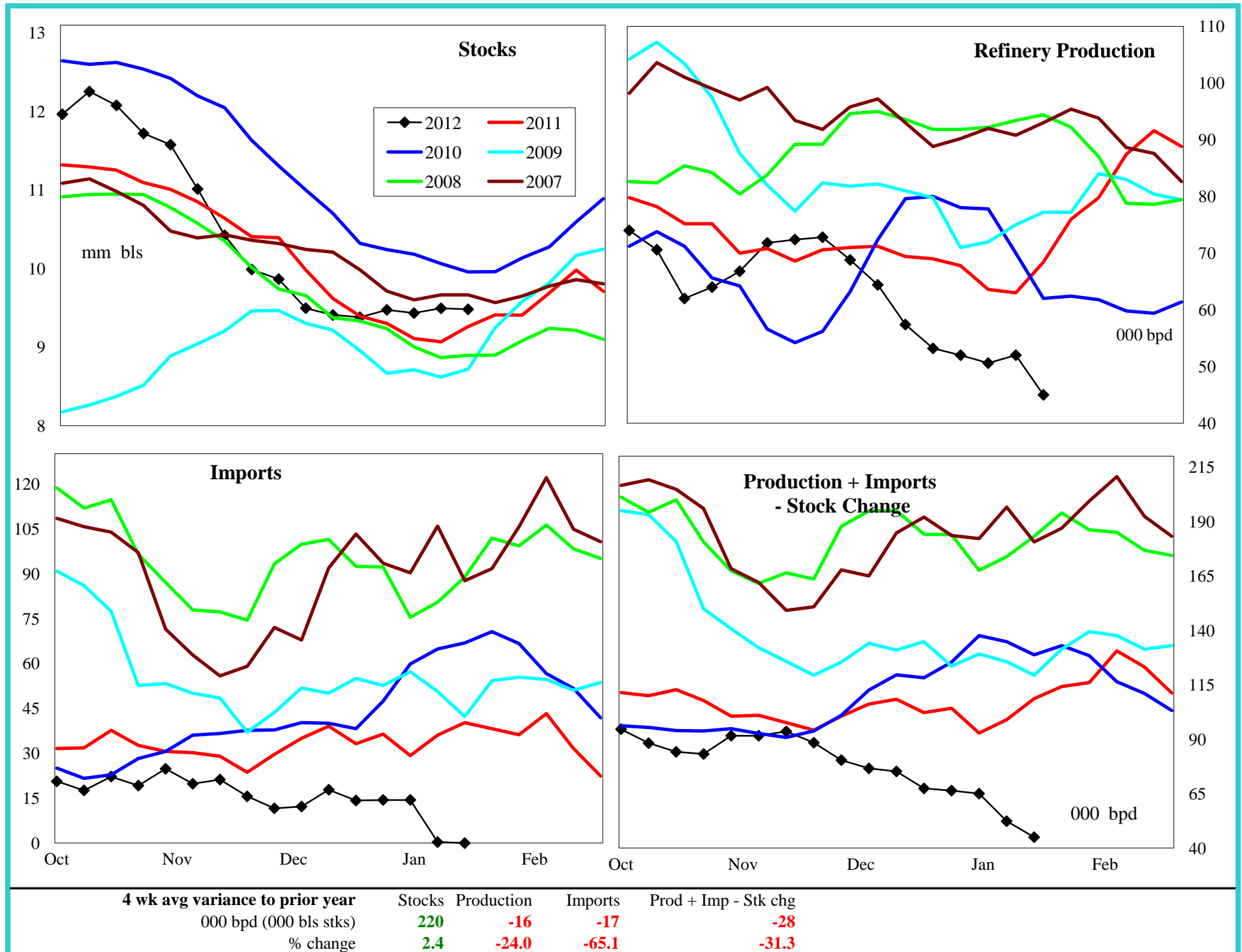
PADD 1 High Sulfur Distillate Supply



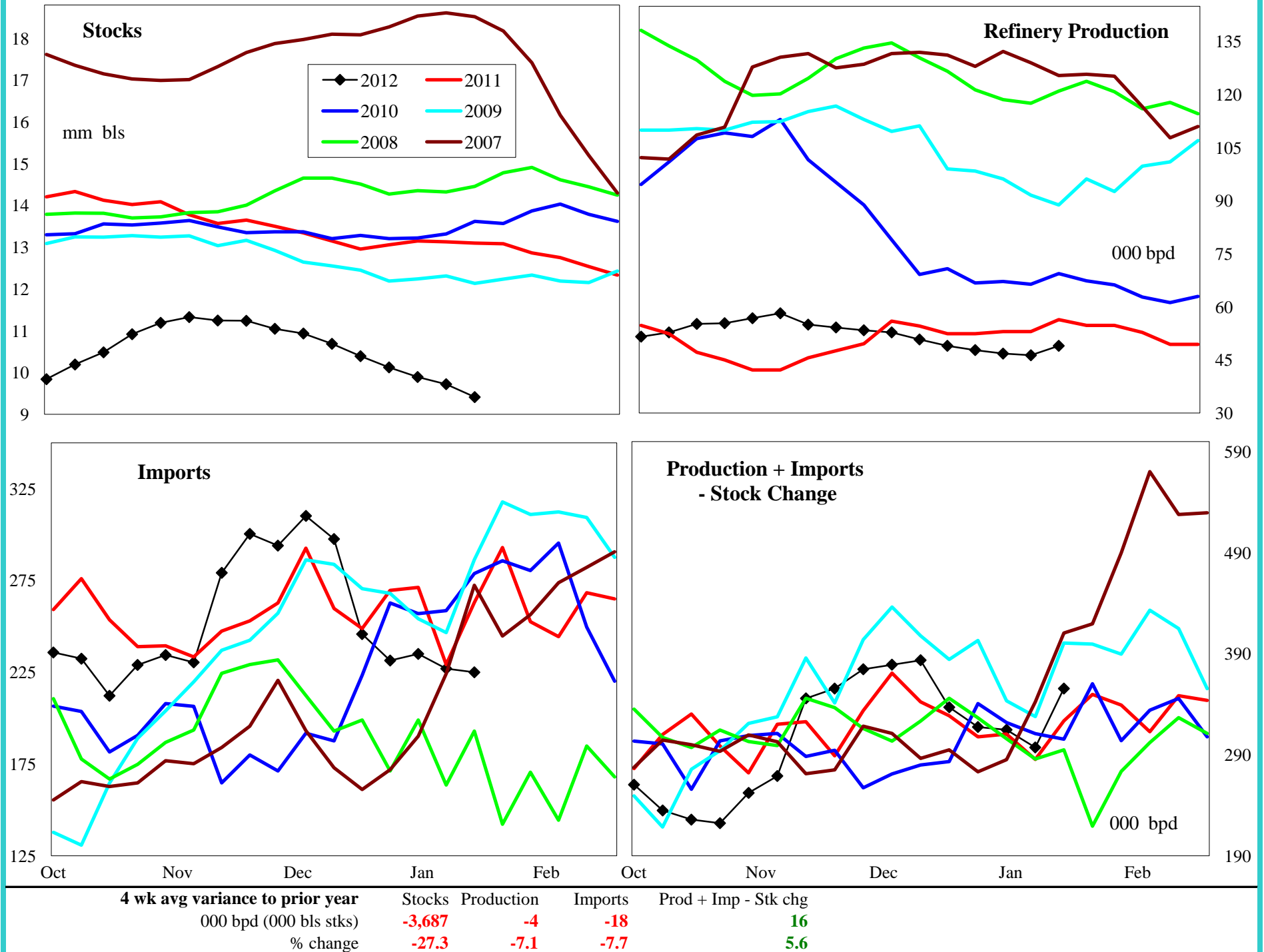
PADD 1 High Sulfur Distillate Stocks by Region



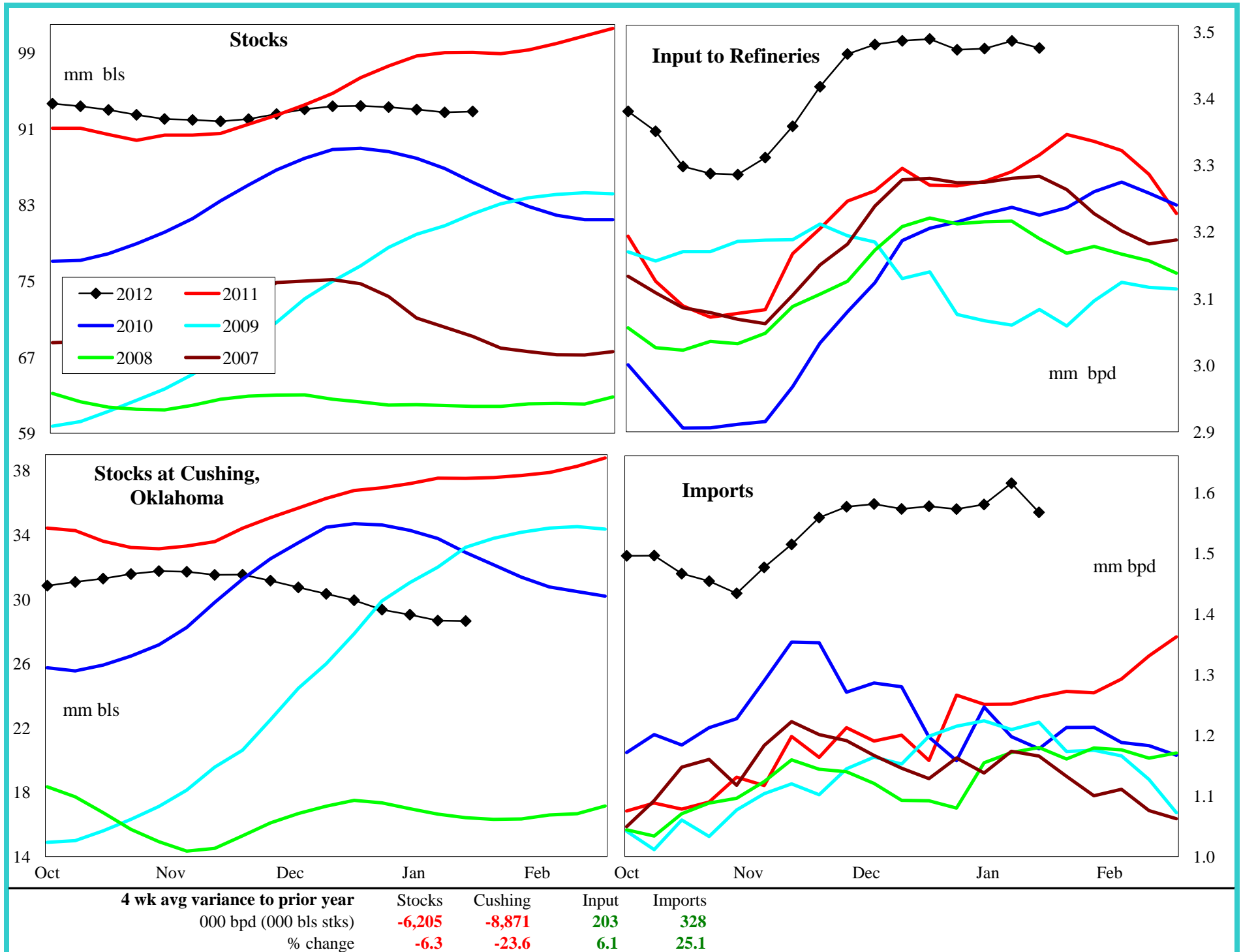
PADD 1 Jet Fuel Supply



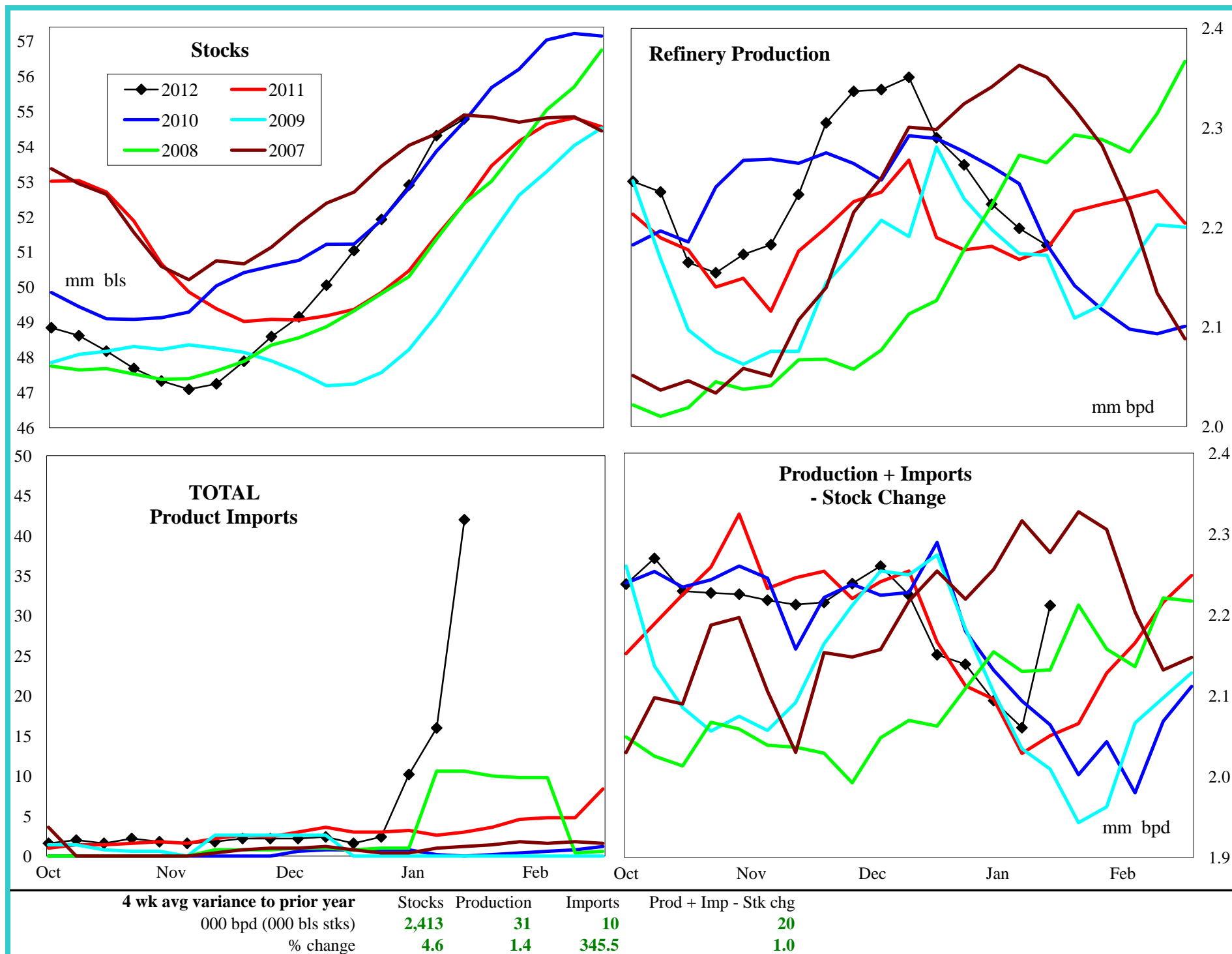
PADD 1 Residual Fuel Oil Supply



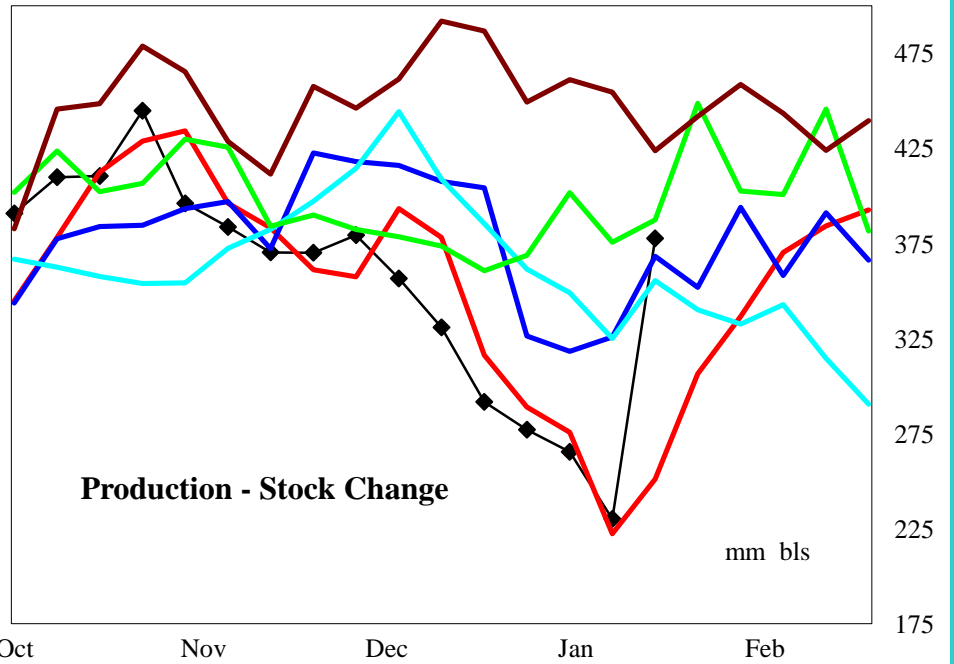
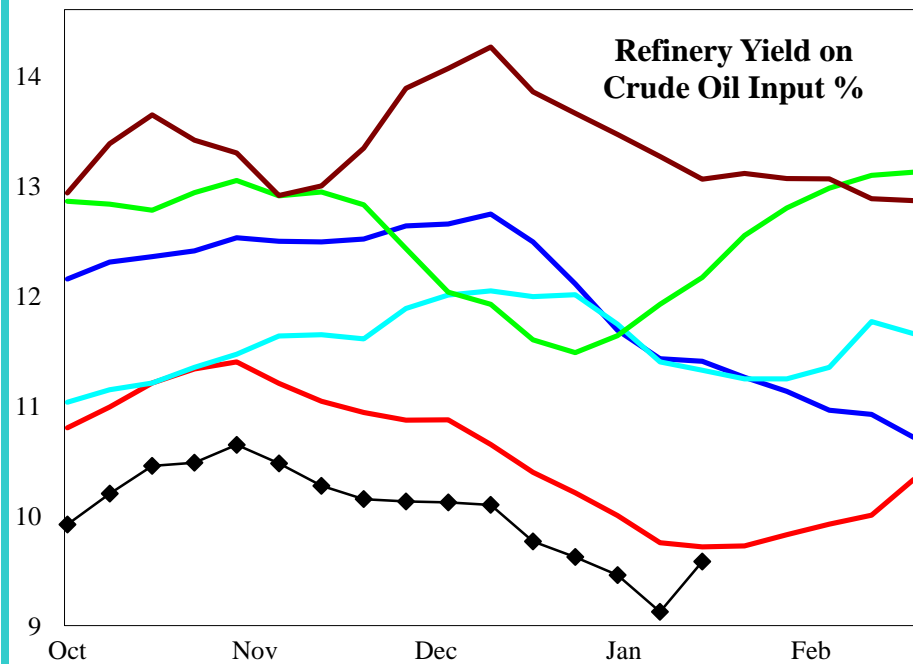
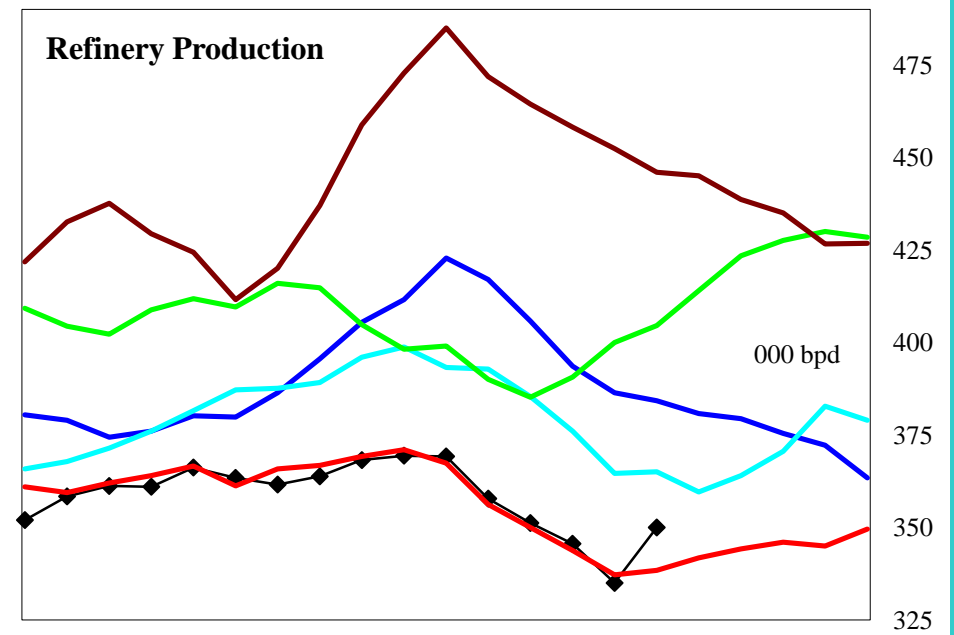
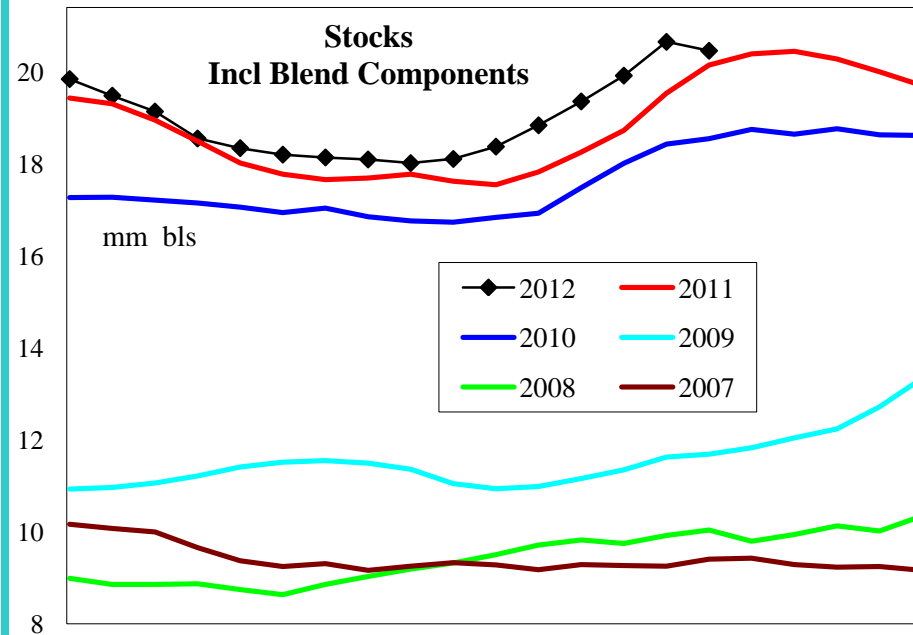
PADD 2 Crude Oil Supply and Refining



PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply



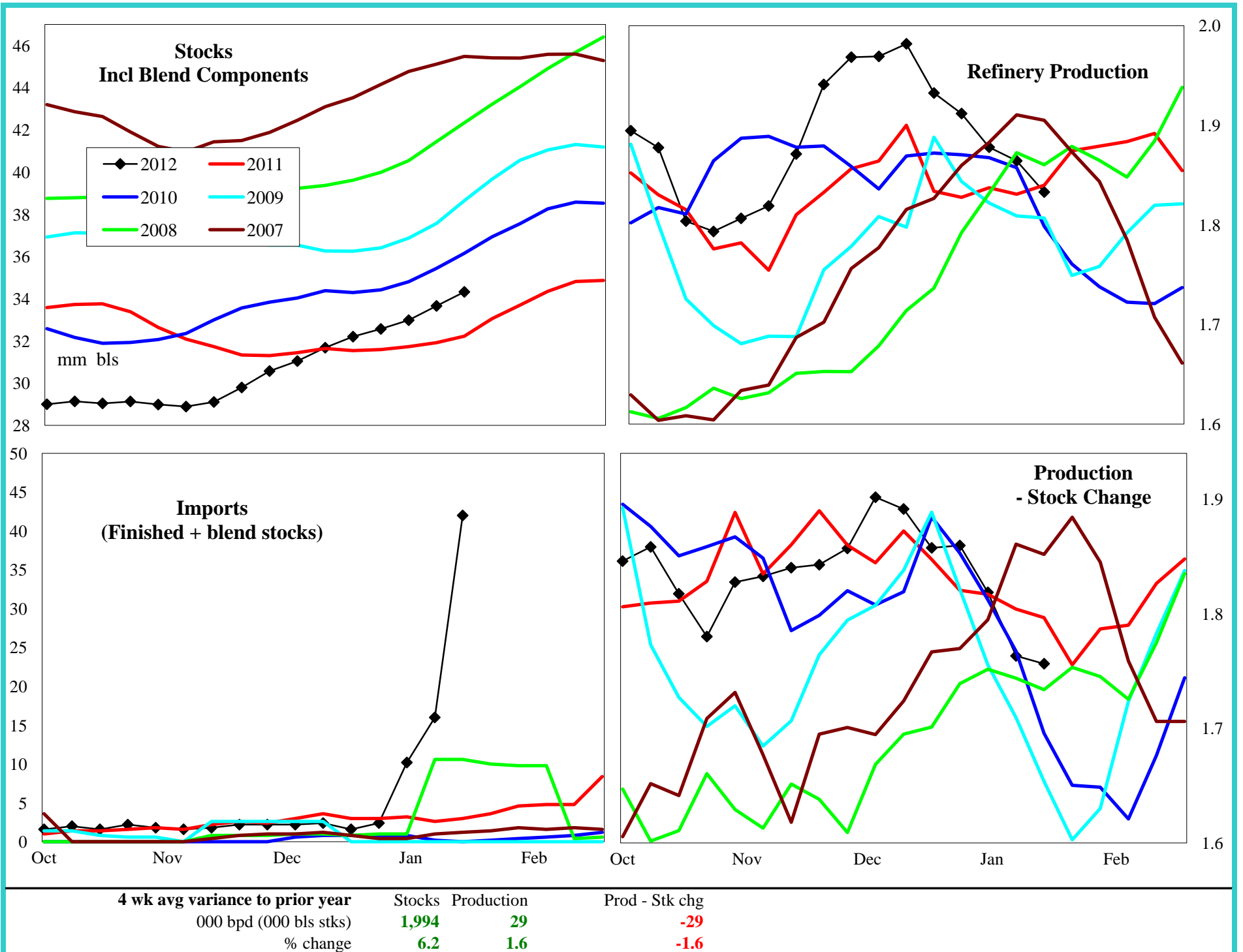
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks
313
1.6

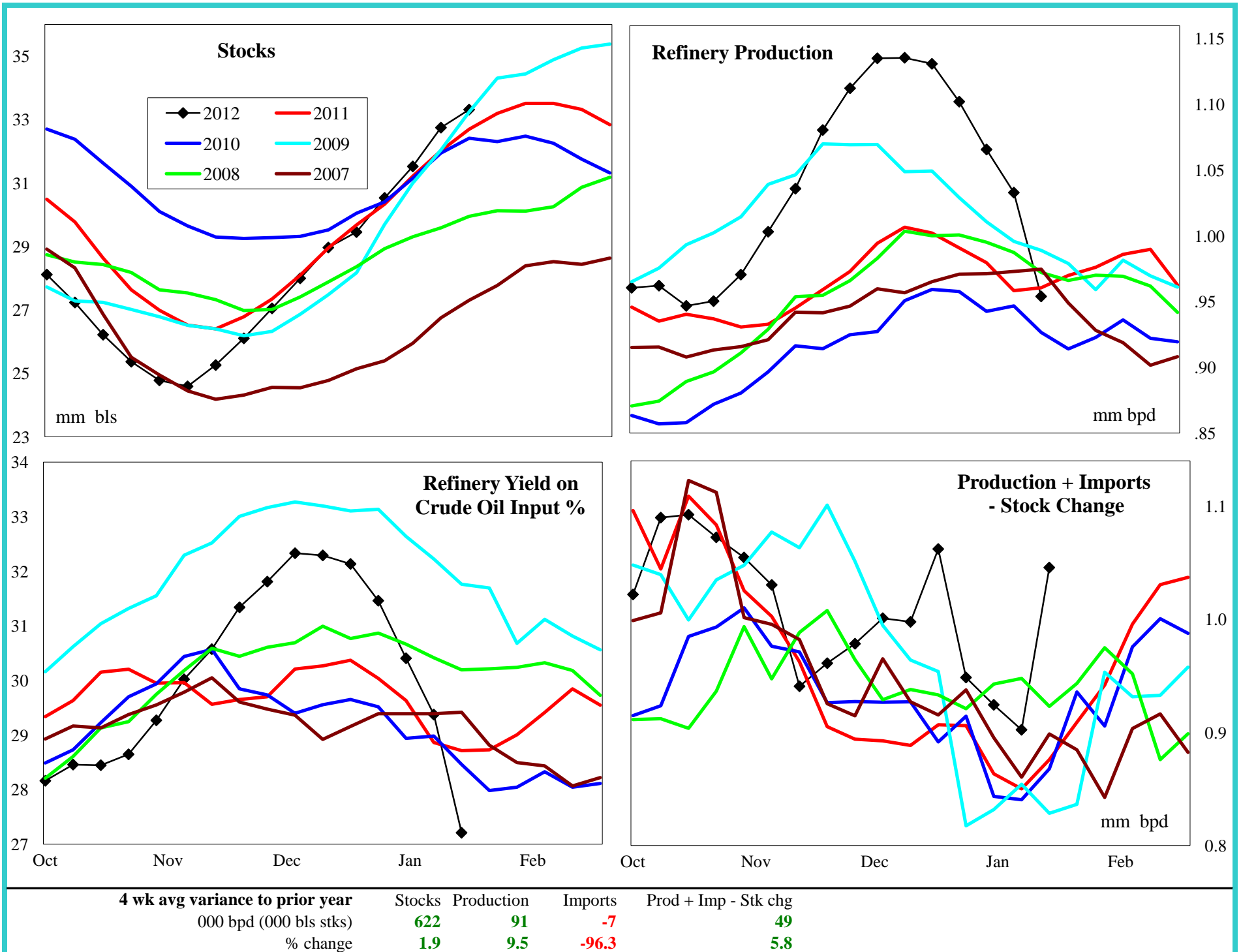
Production
3
0.9

Prod - Stk chg
28
10.8

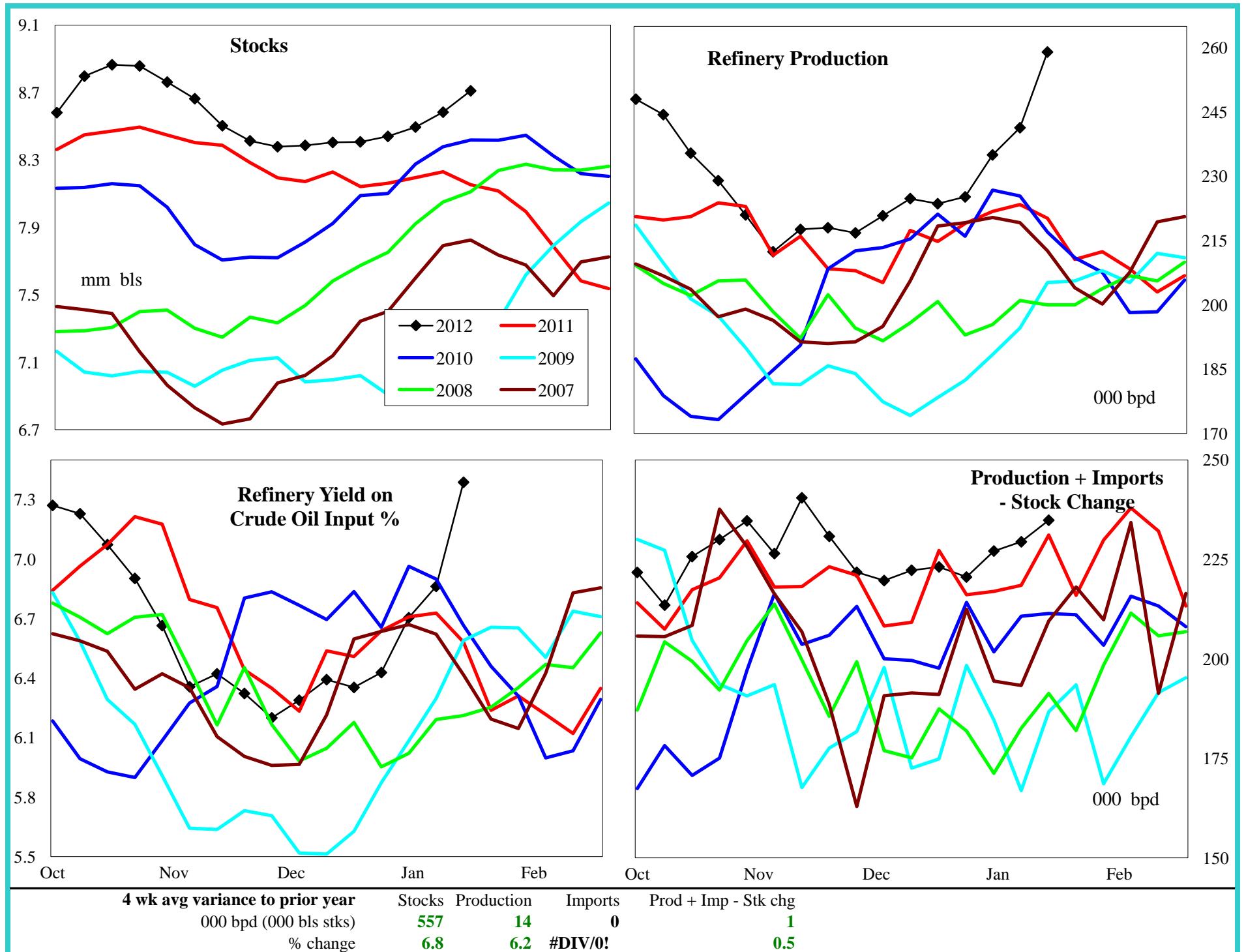
PADD 2 Conventional Gasoline Supply



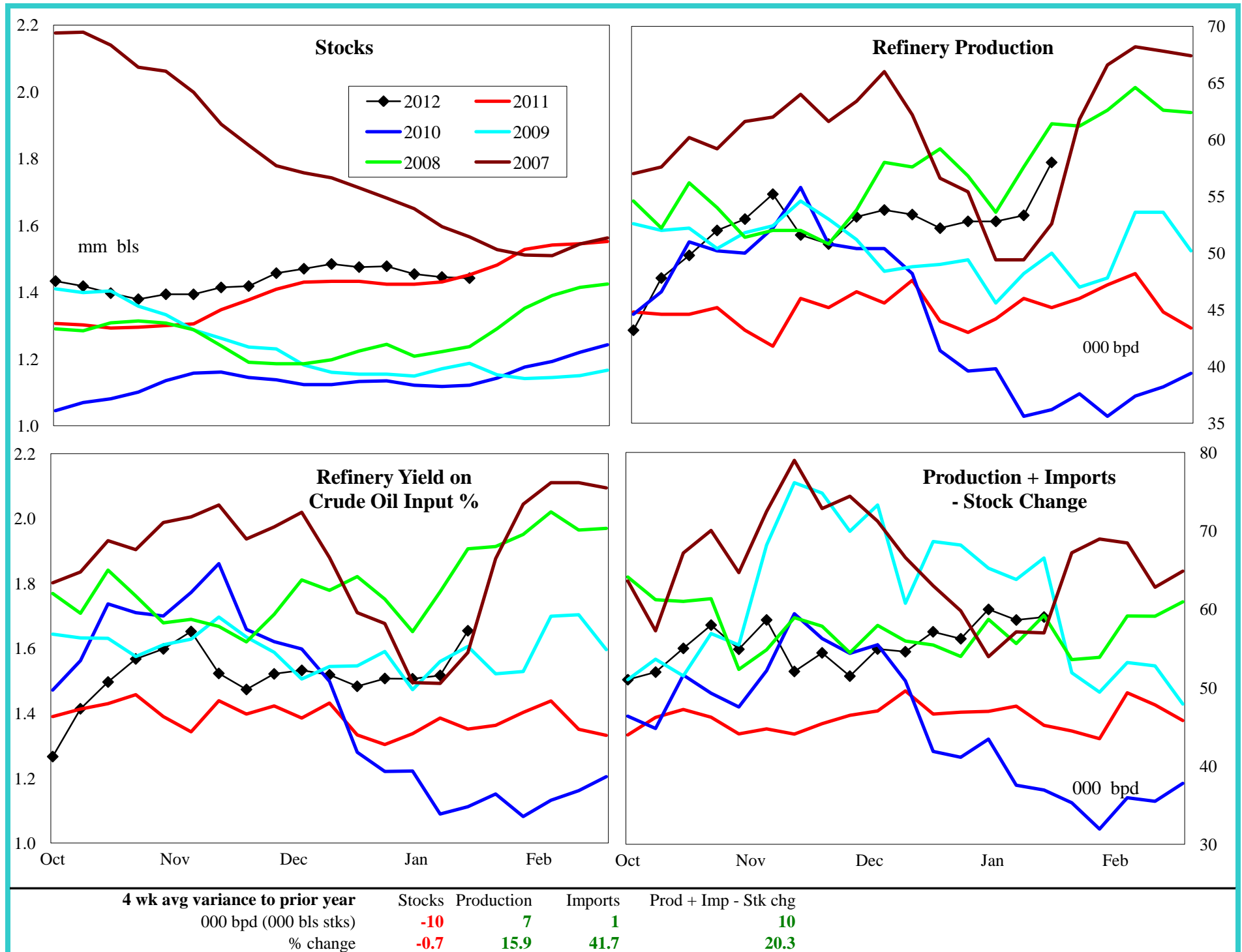
PADD 2 Distillate Supply



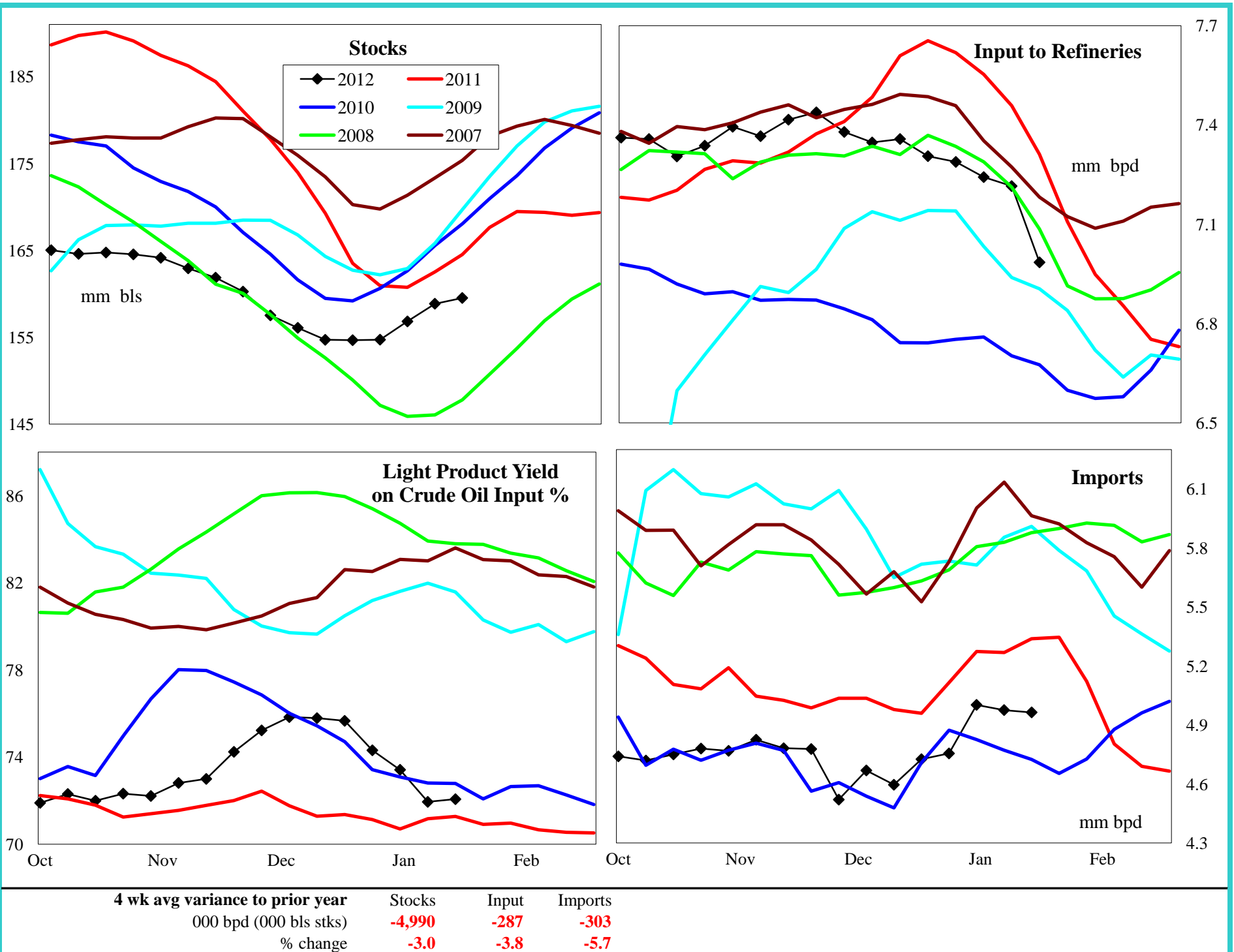
PADD 2 Jet Fuel Supply



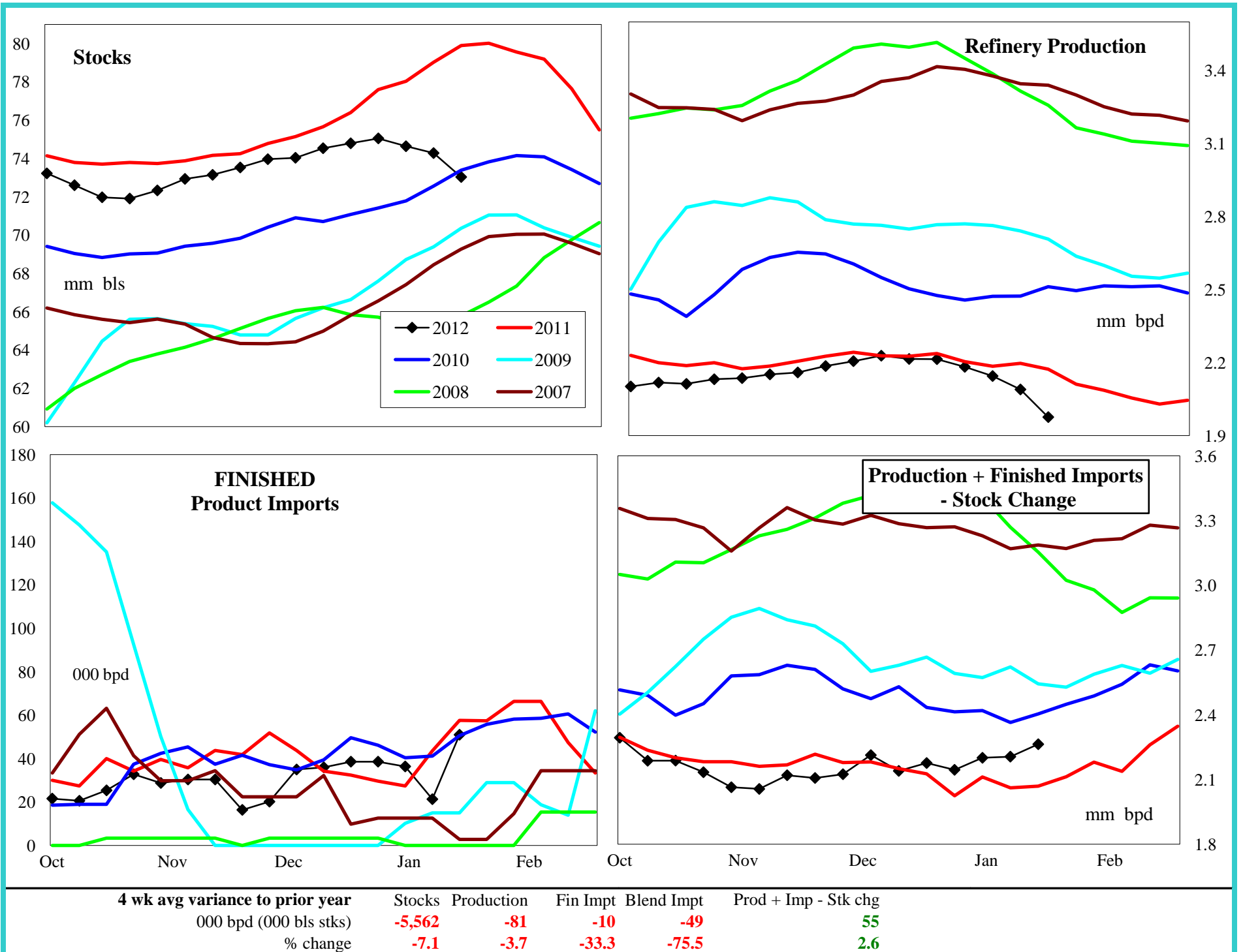
PADD 2 Residual Fuel Oil Supply



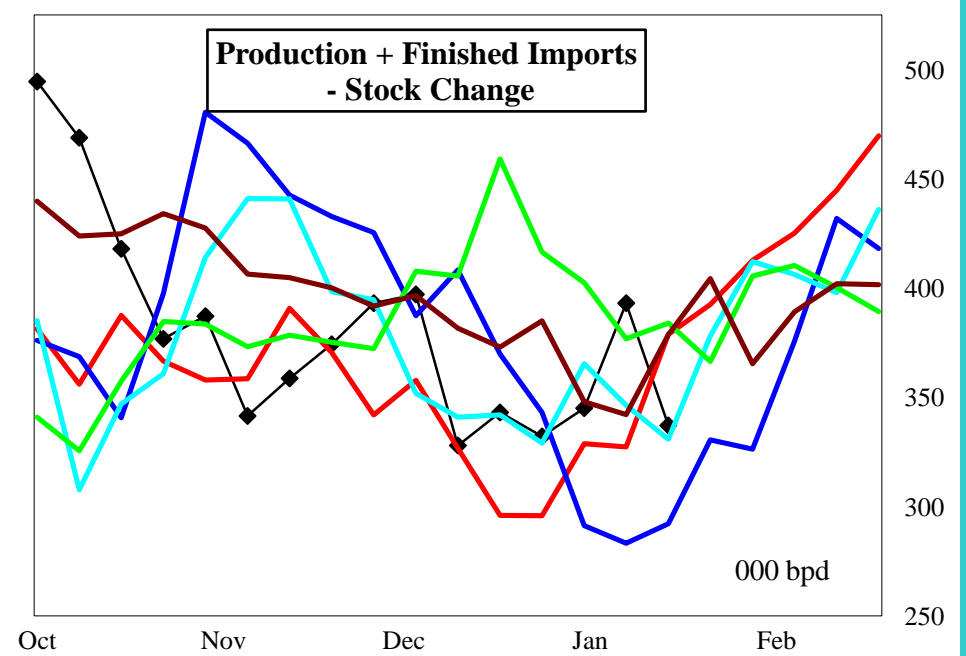
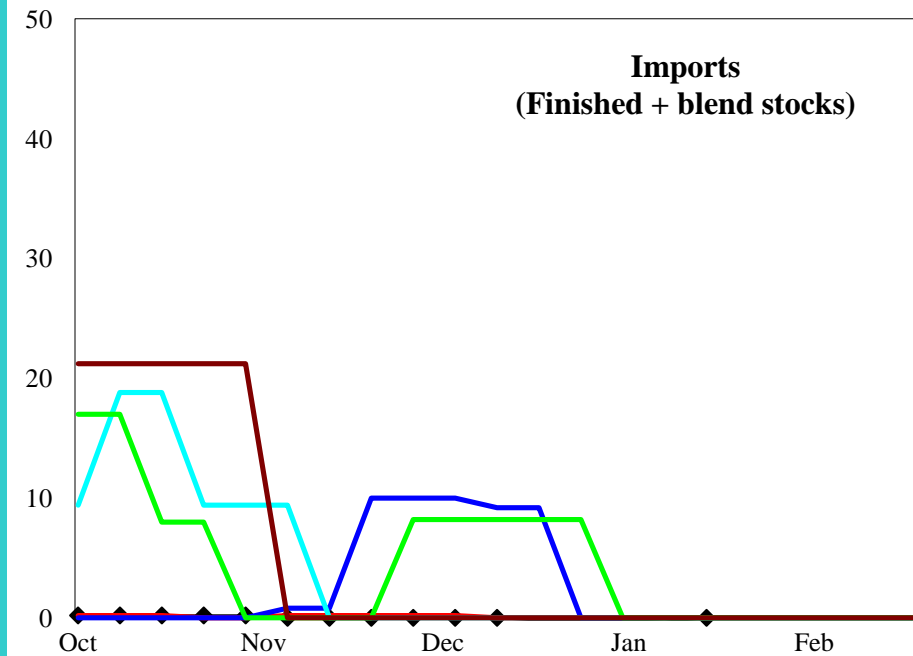
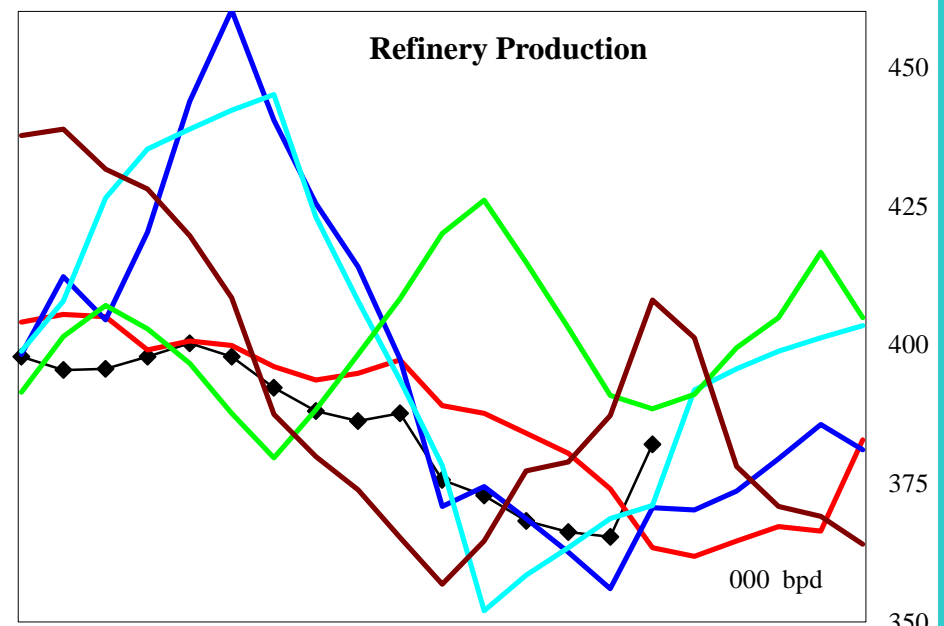
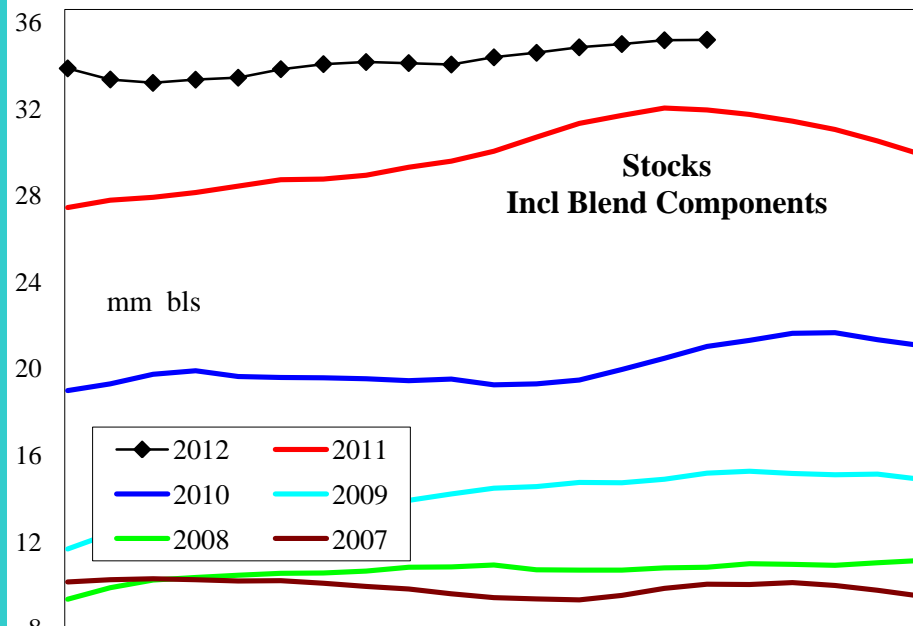
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



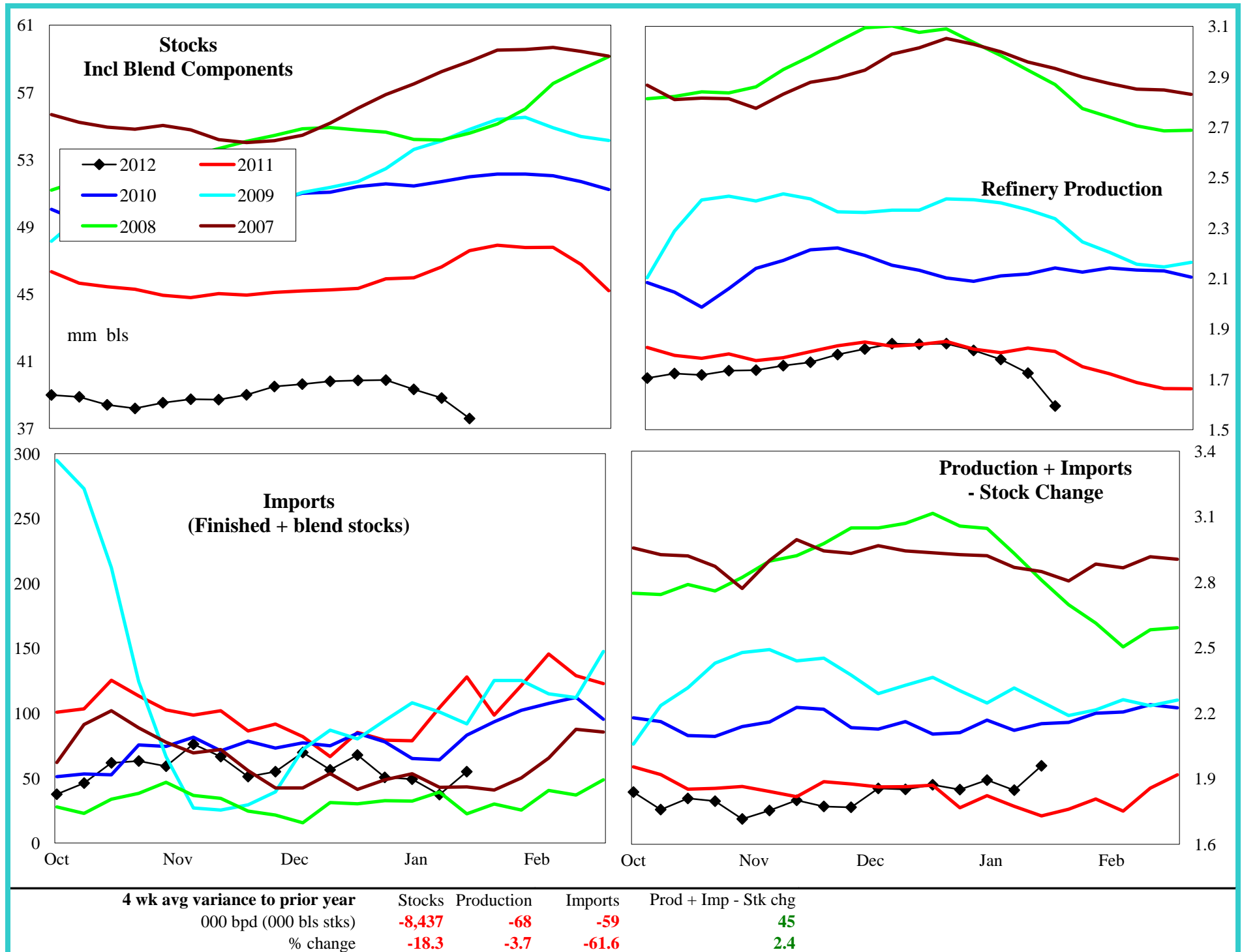
PADD 3 Reformulated Gasoline Supply



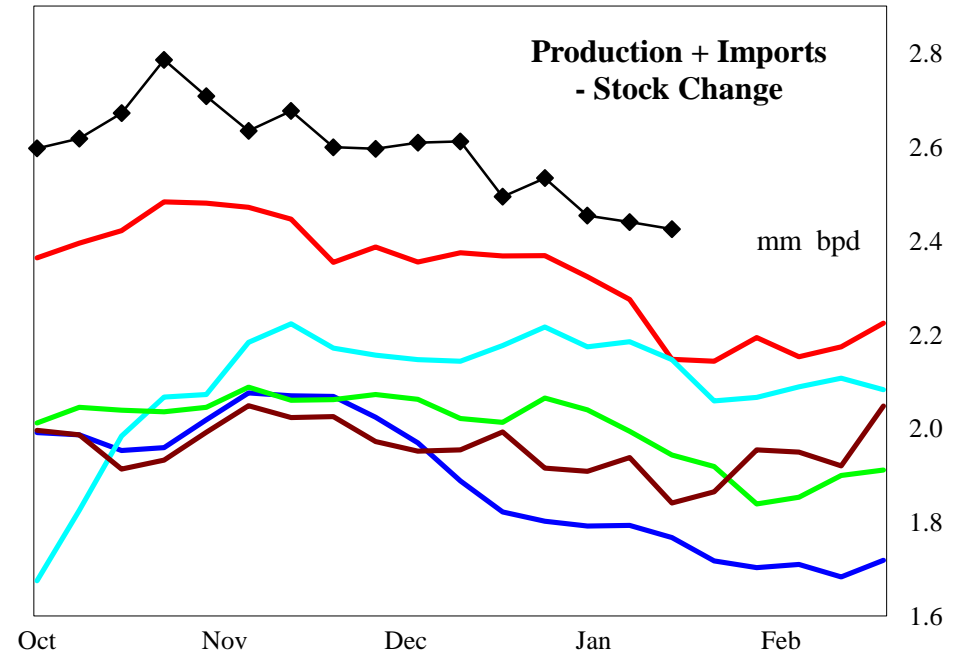
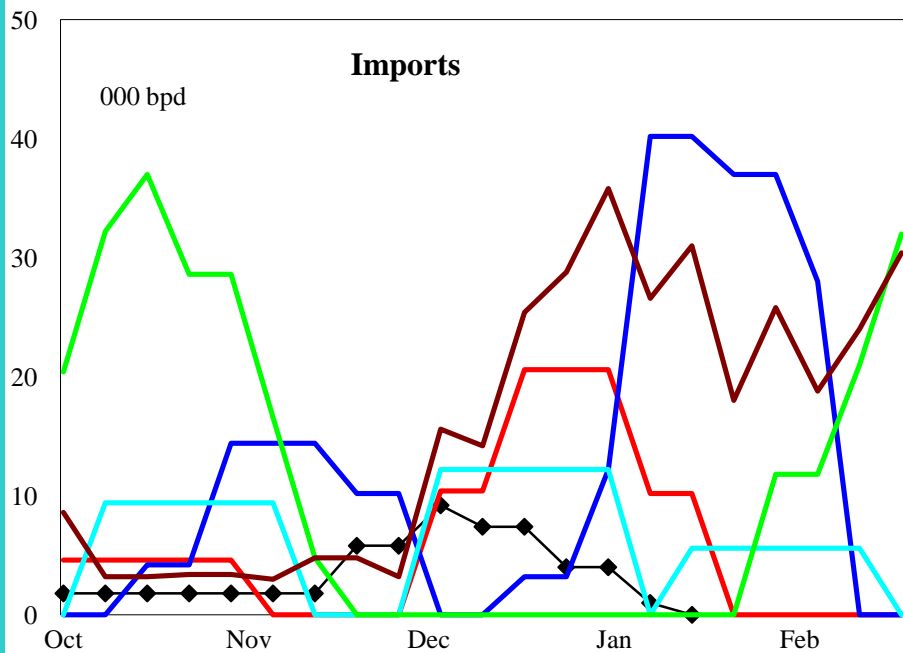
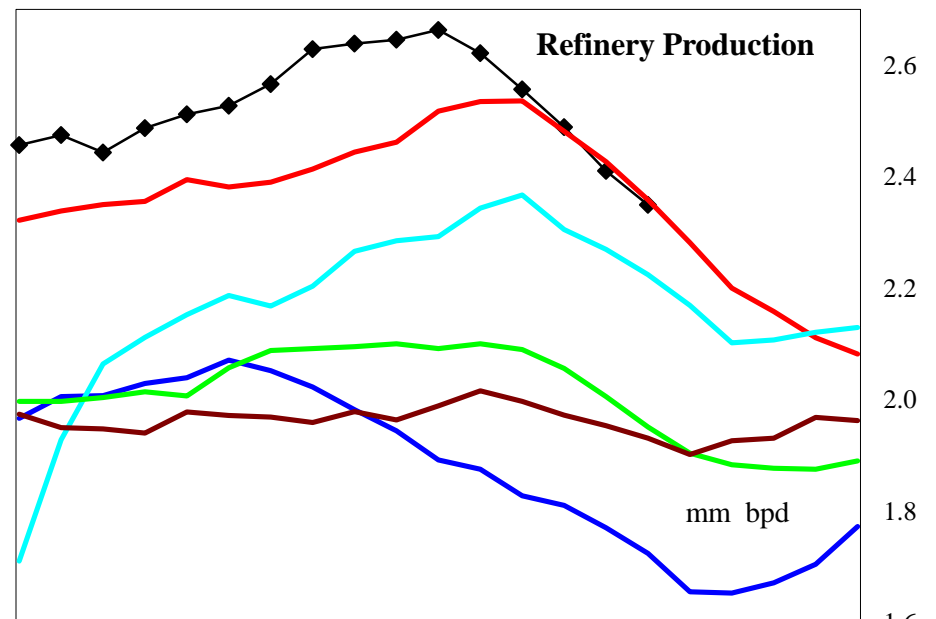
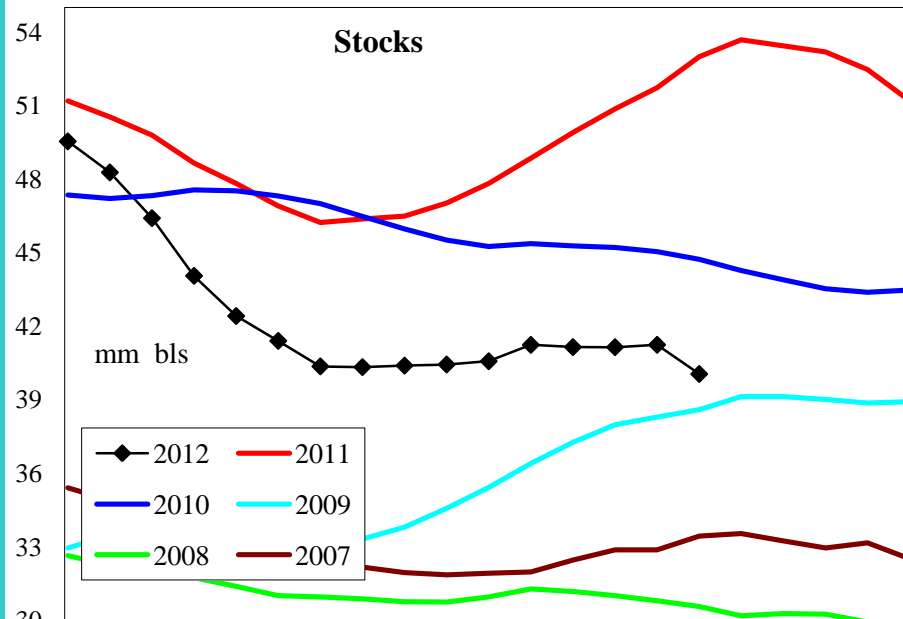
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
3,003	-14	0	6
9.2	-3.8	#DIV/0!	2.1

PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-12,668

-2

-12

123

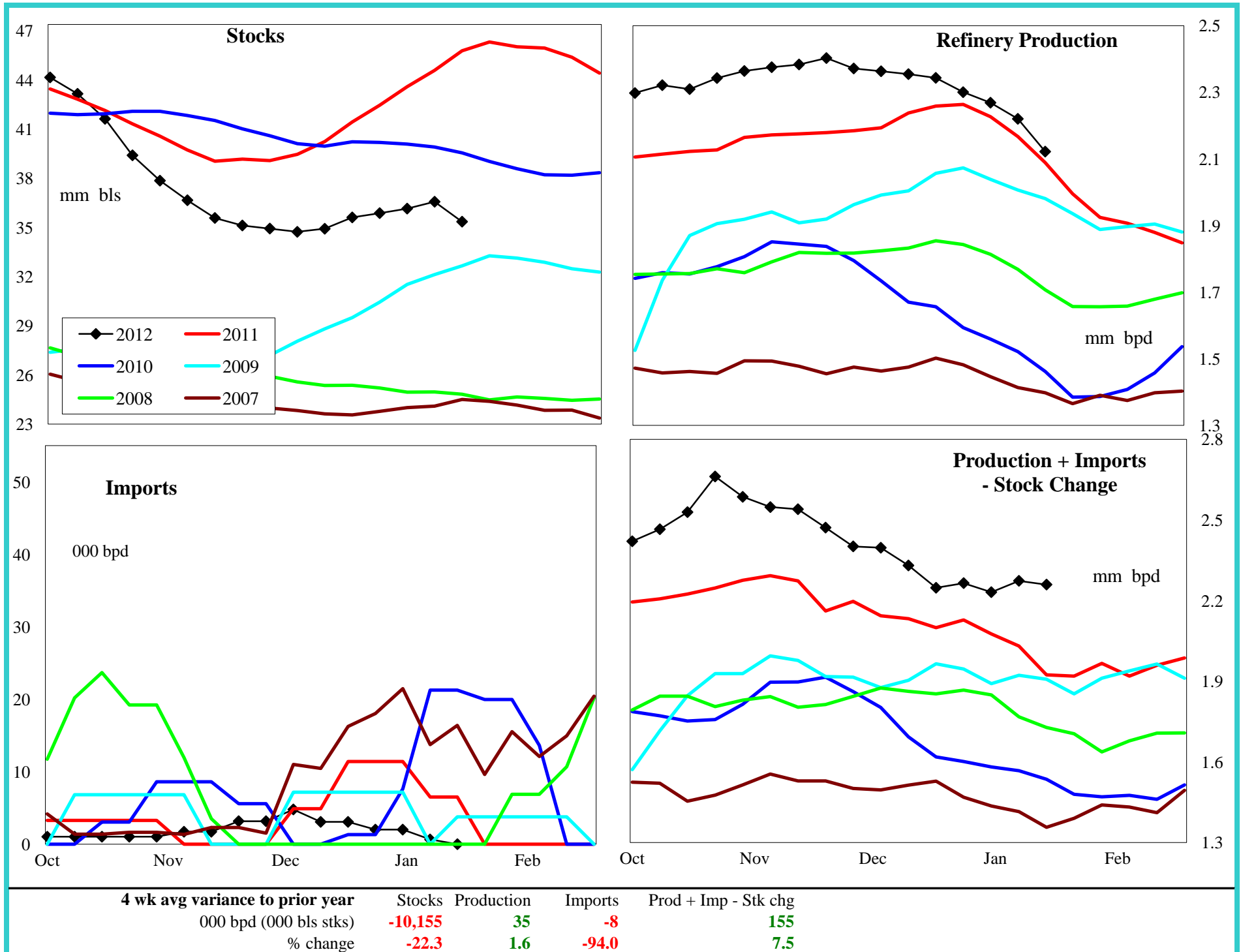
-24.0

-0.1

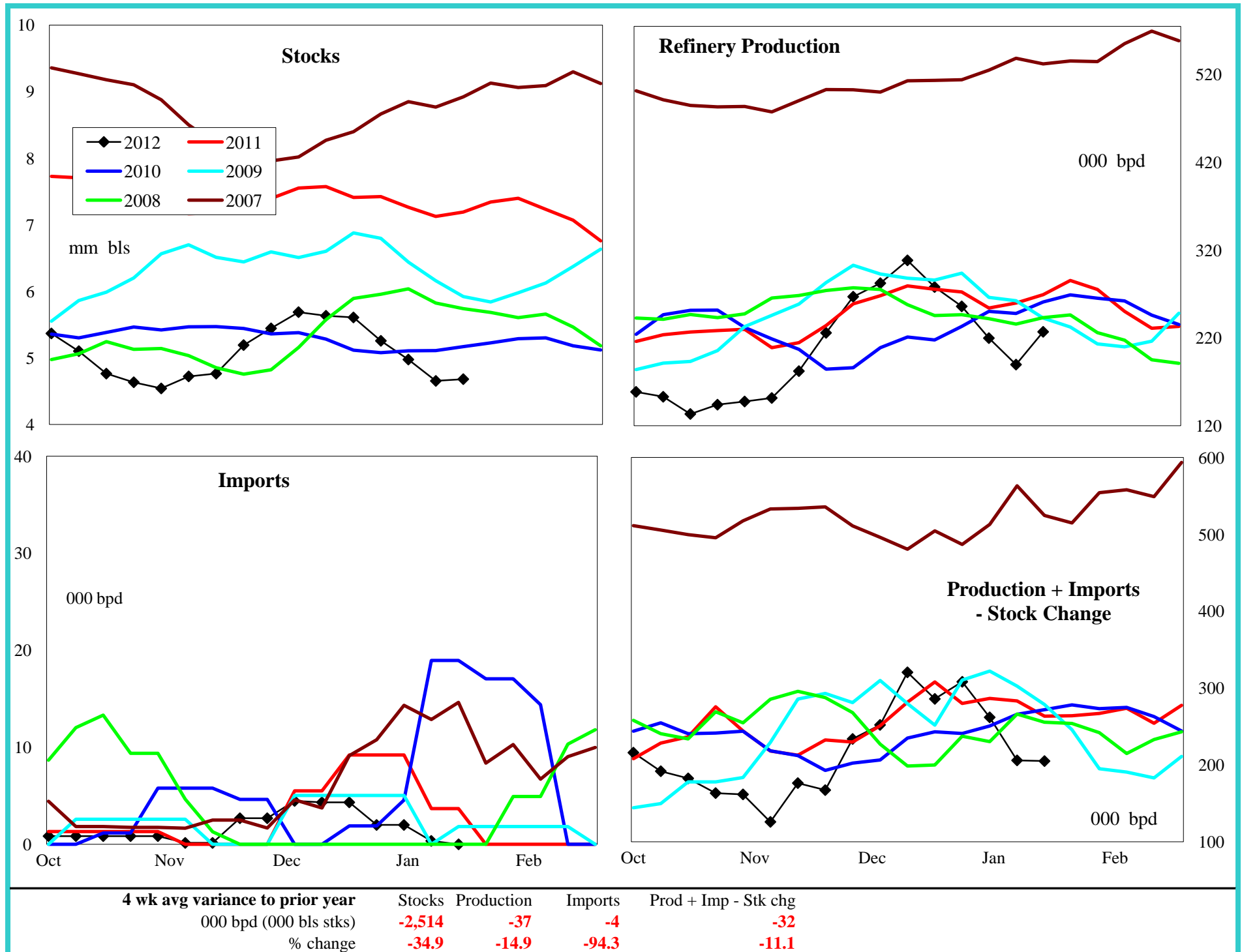
-94.1

5.2

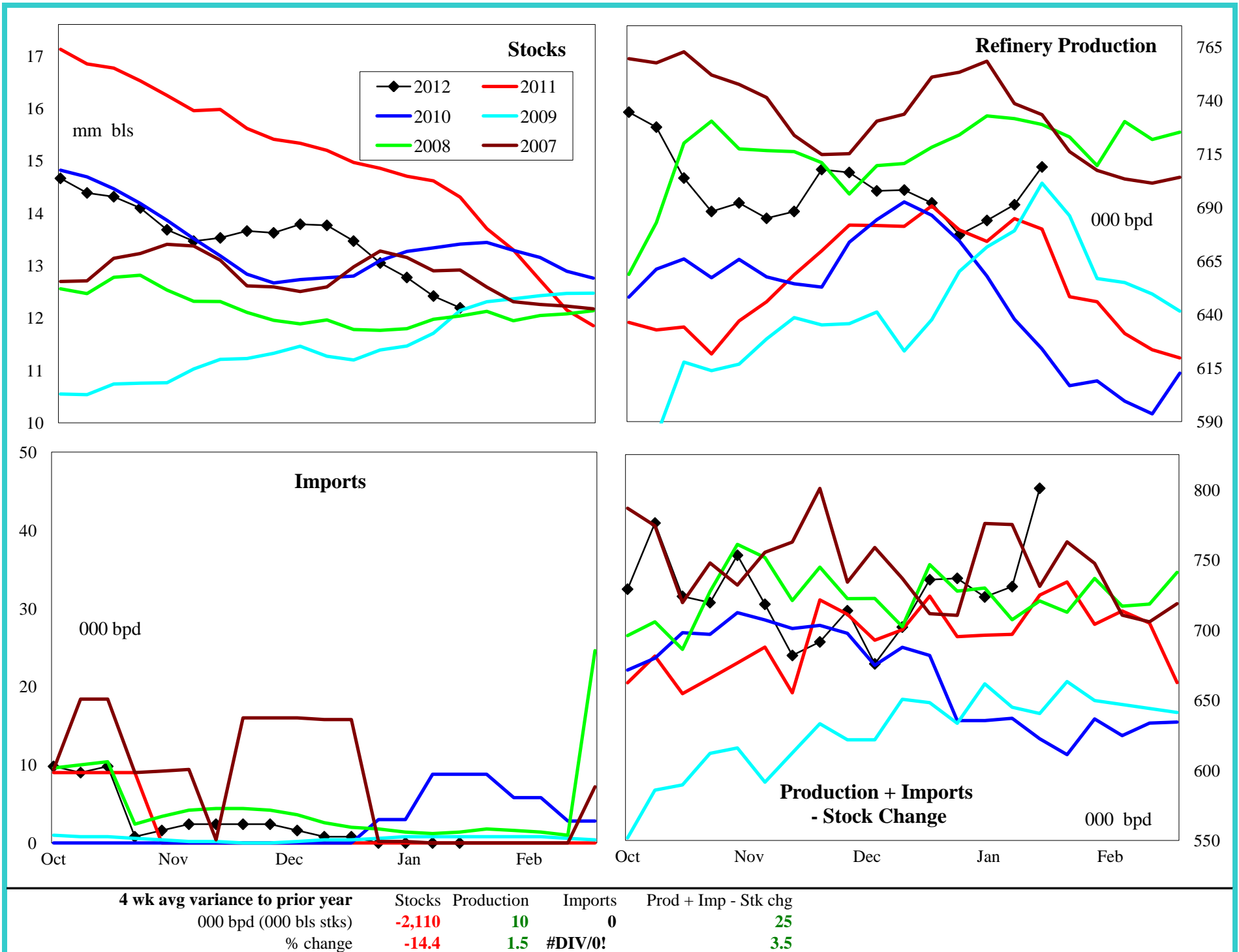
PADD 3 Low Sulfur Distillate Supply



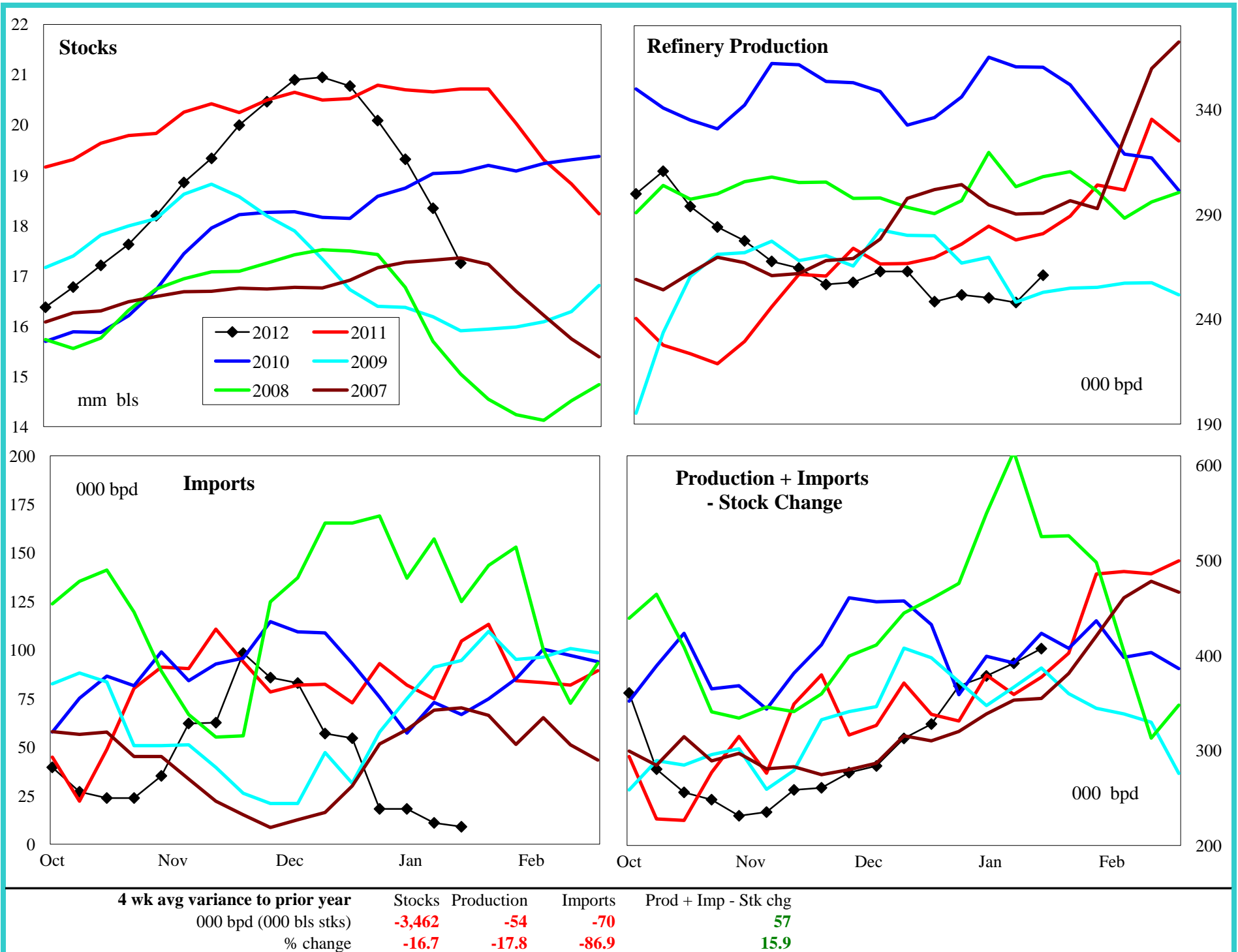
PADD 3 High Sulfur Distillate Supply



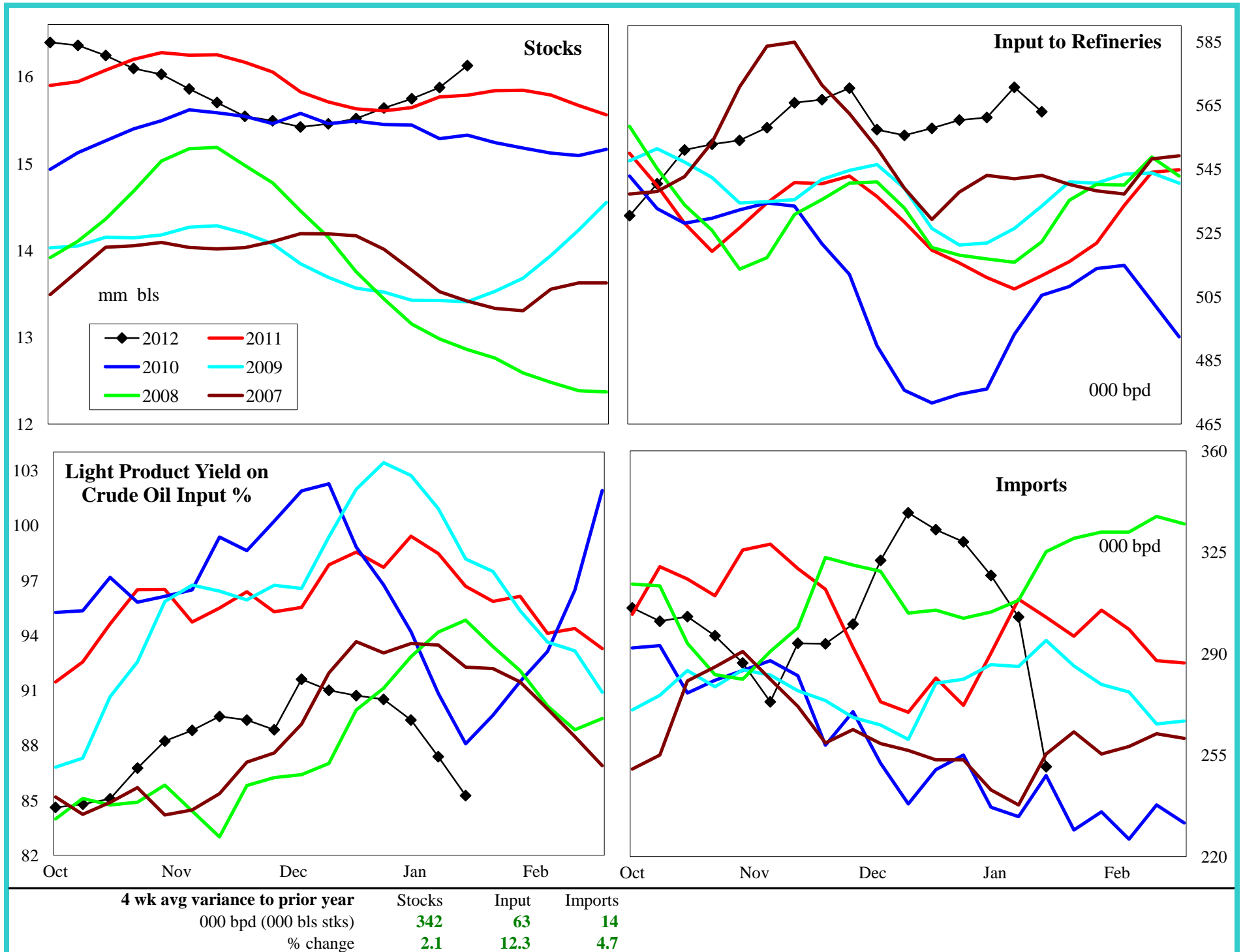
PADD 3 Jet Fuel Supply



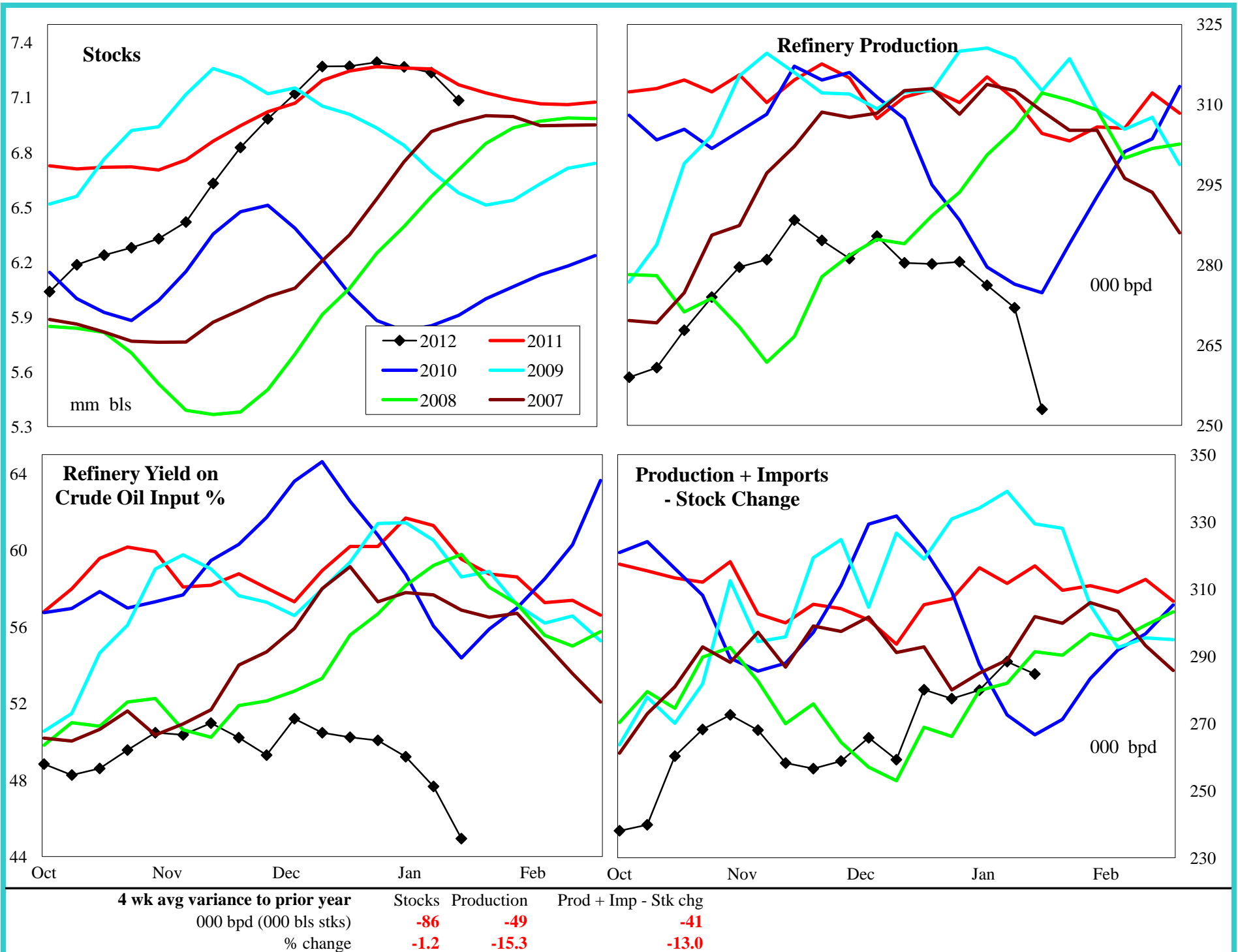
PADD 3 Residual Fuel Oil Supply



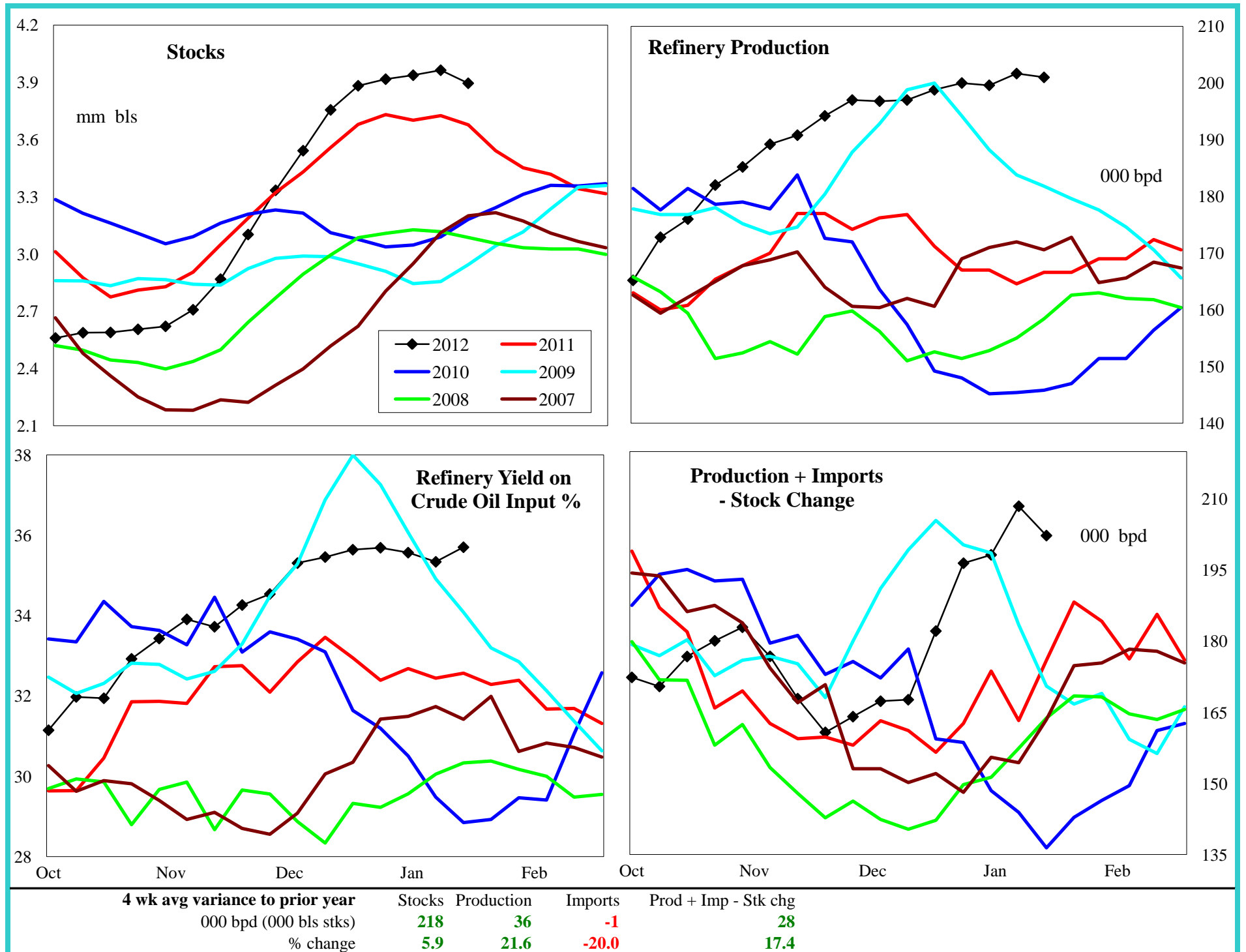
PADD 4 Crude Oil Supply and Refining



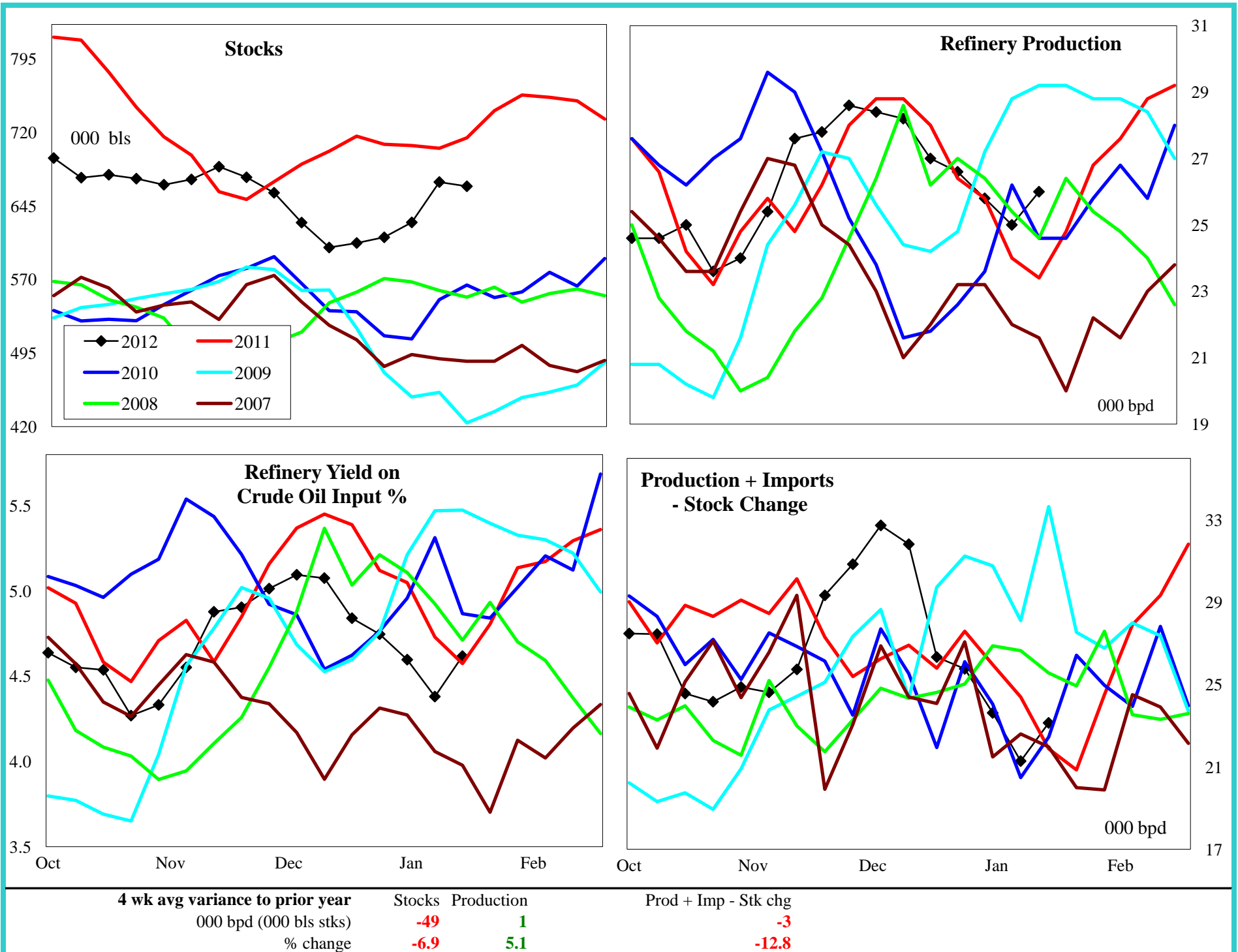
PADD 4 Gasoline Supply



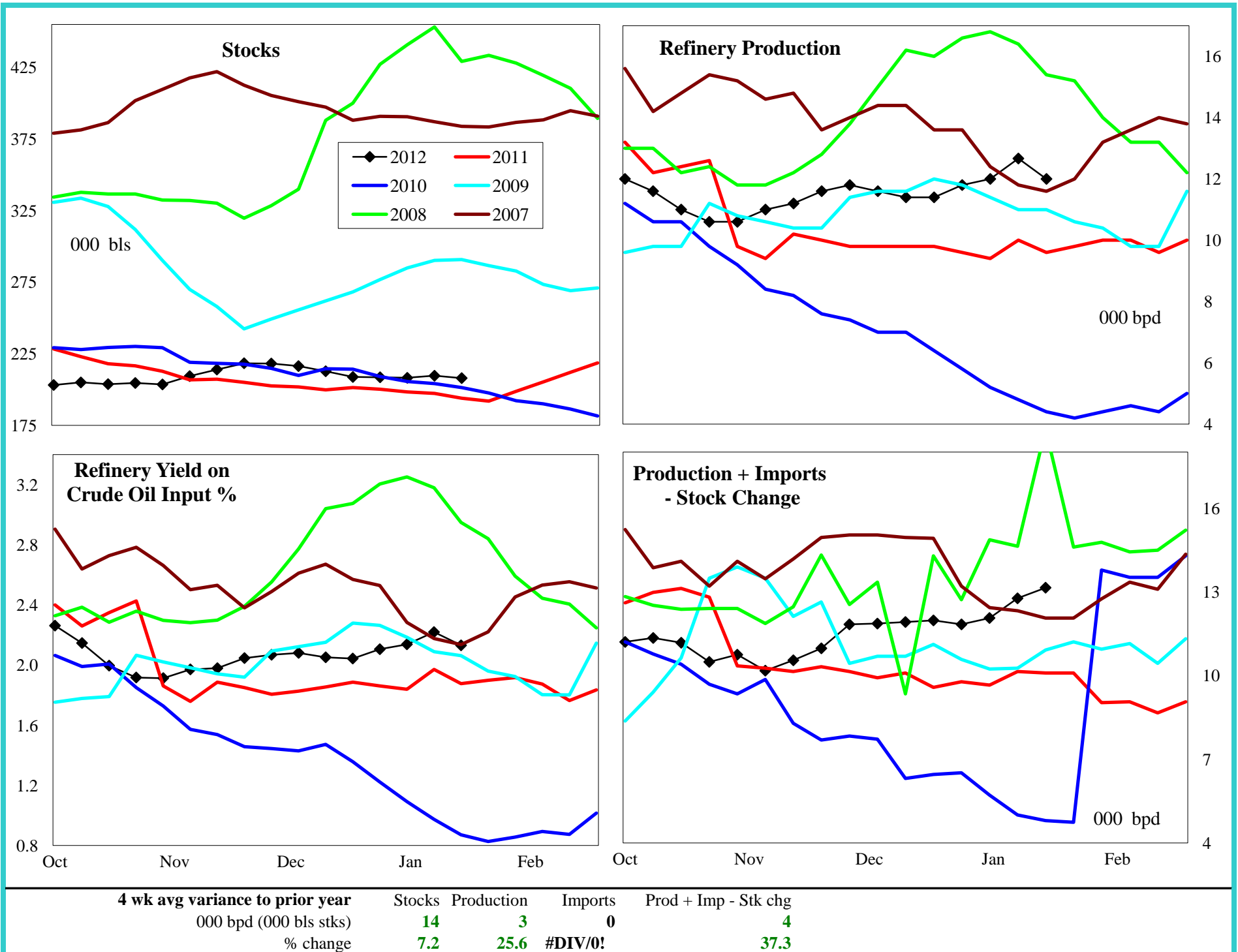
PADD 4 Distillate Supply



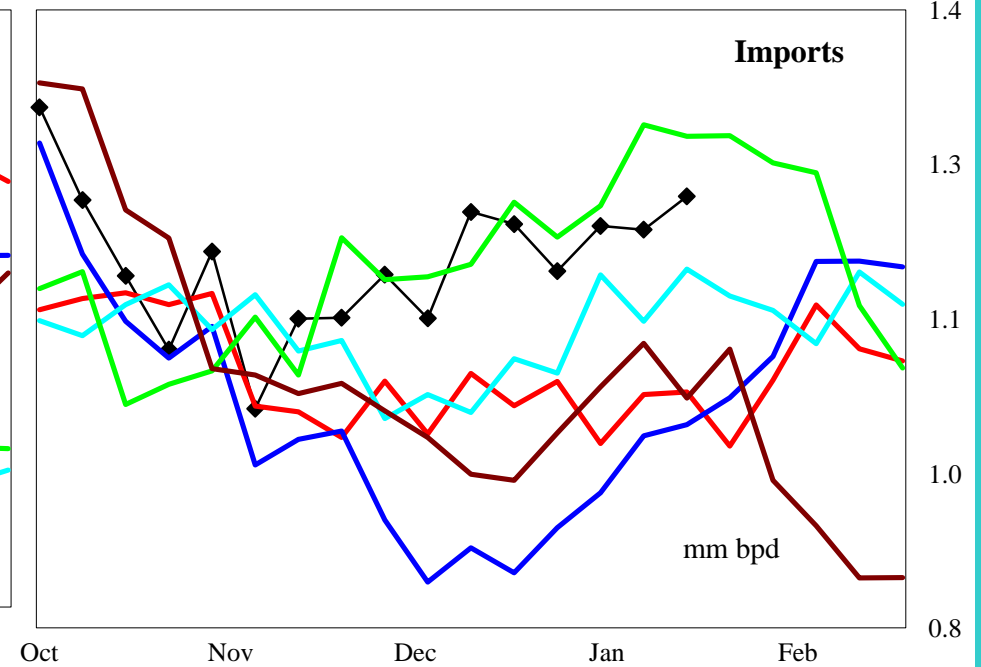
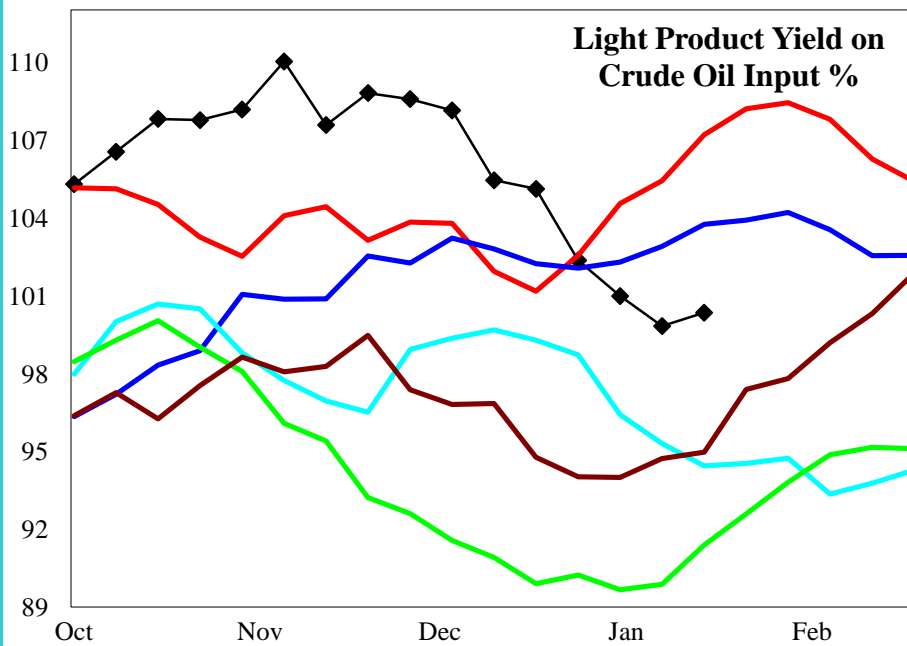
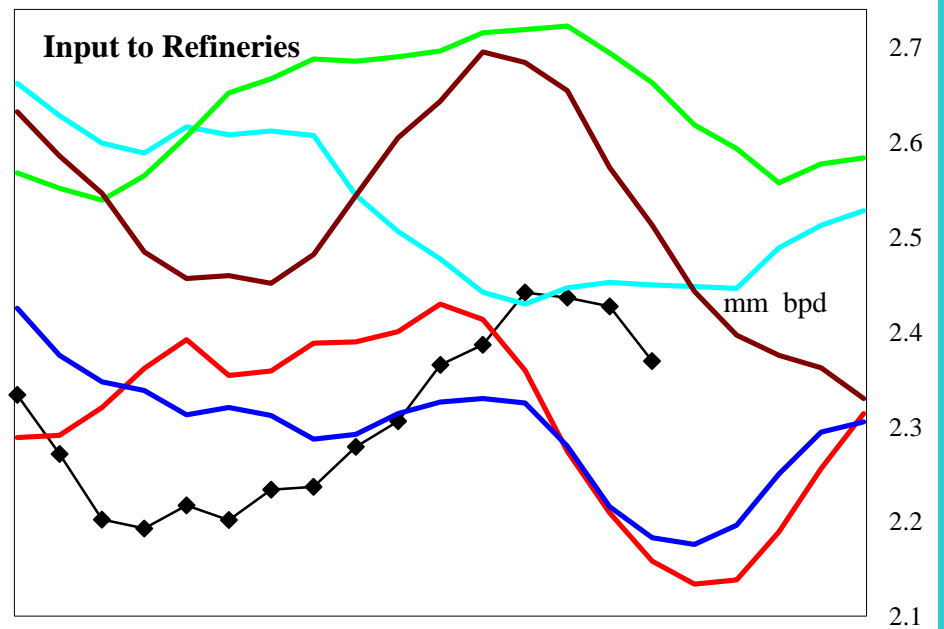
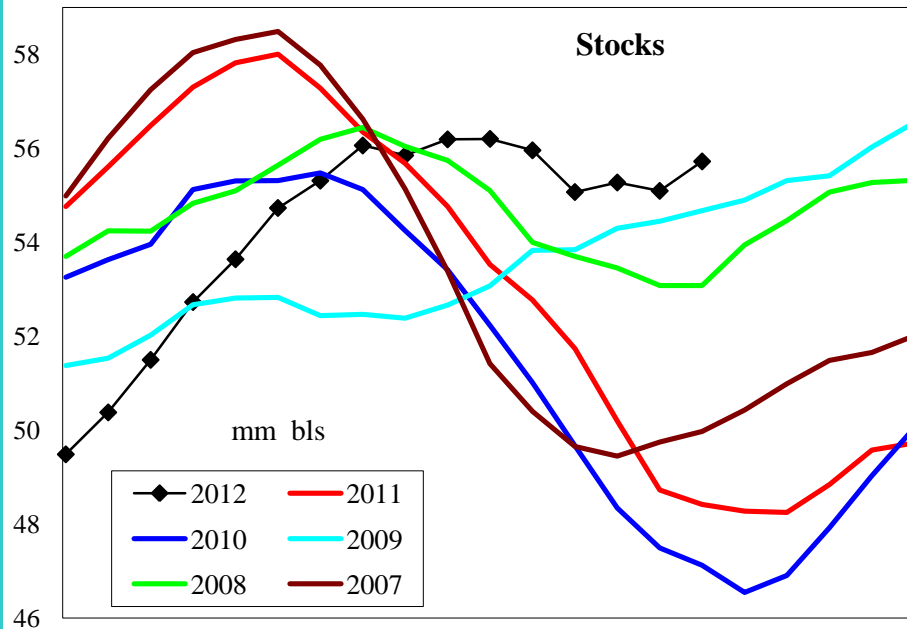
PADD 4 Jet Fuel Supply



PADD 4 Residual Fuel Oil Supply



PADD 5 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

7,304

15.1

Input

208

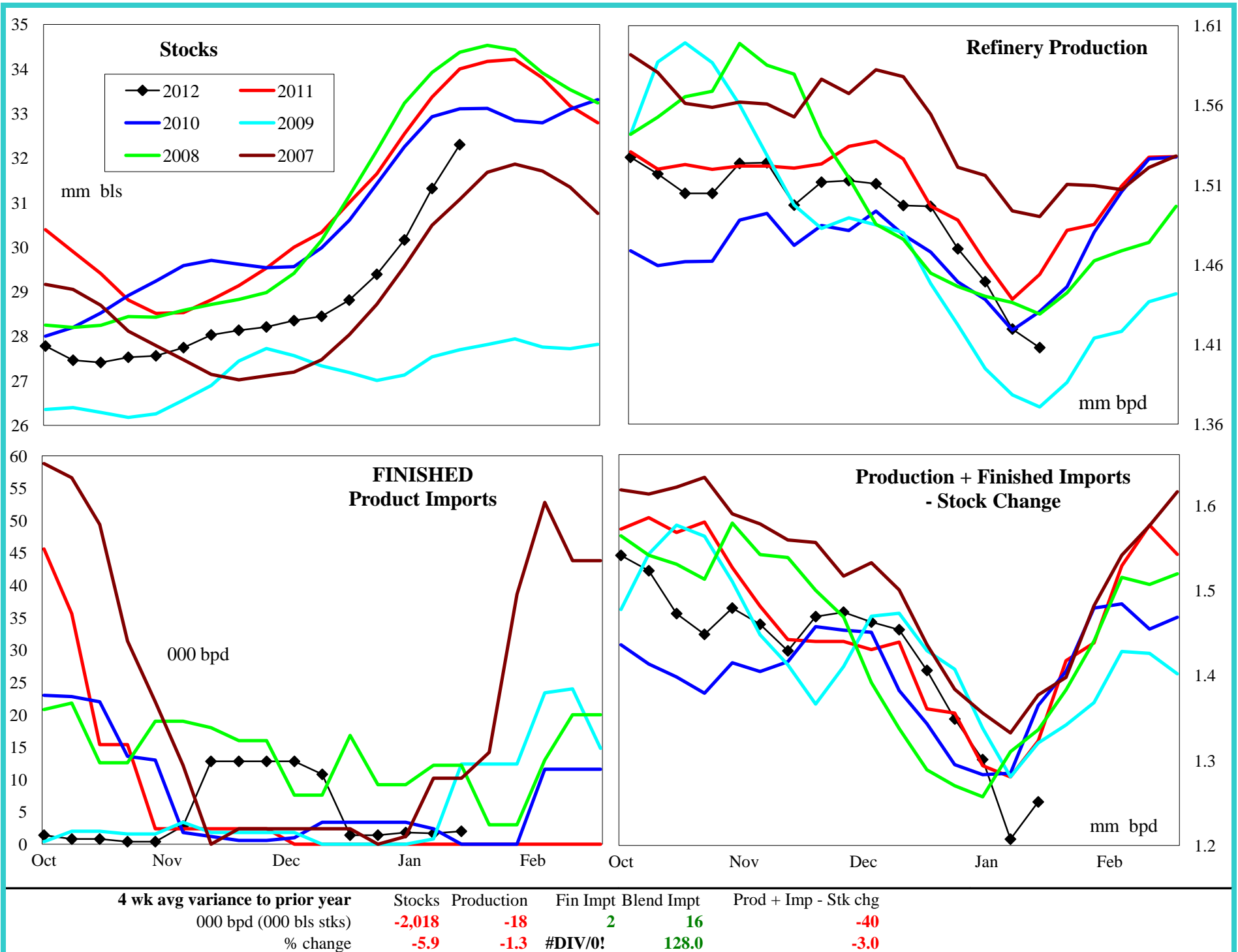
9.3

Imports

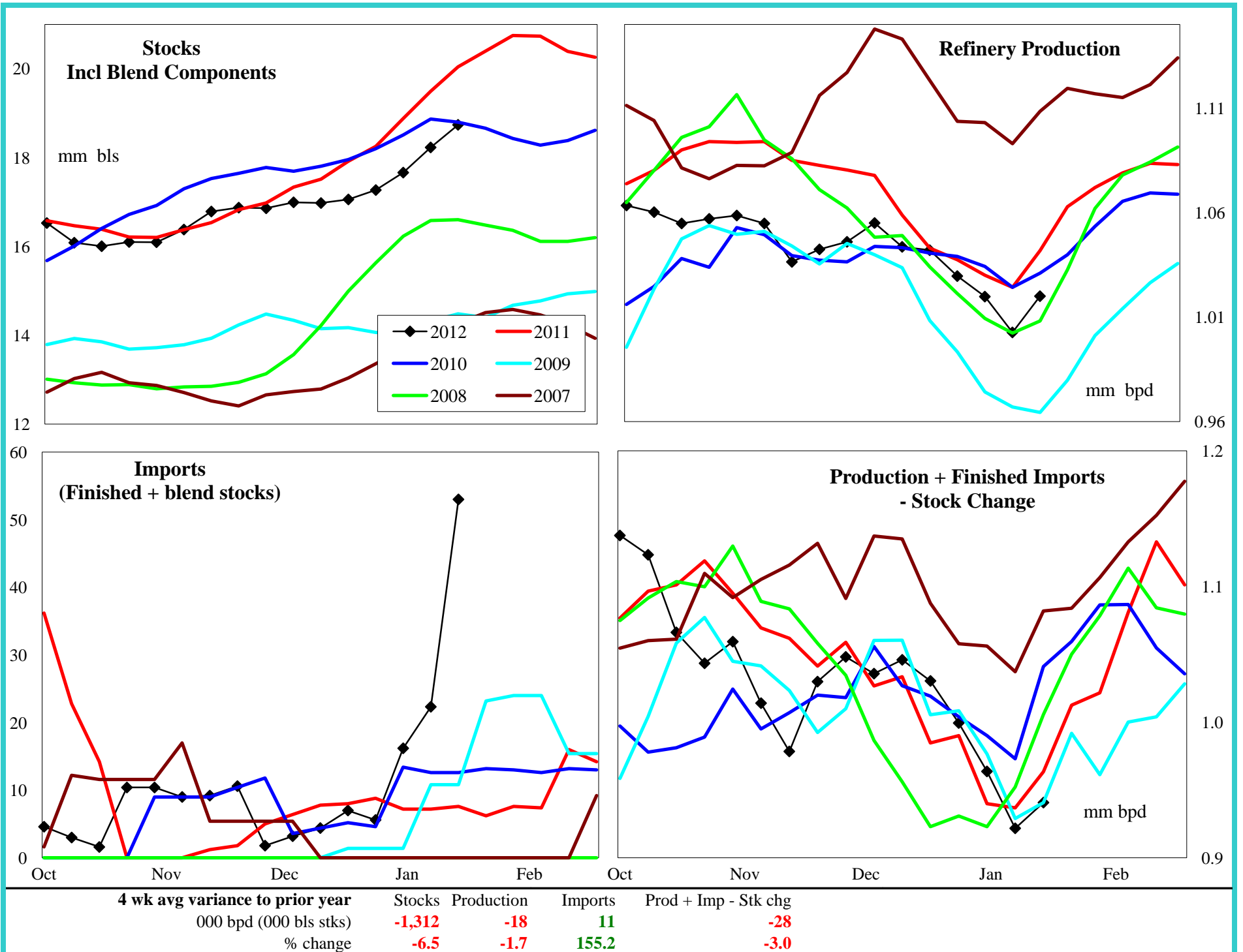
240

24.8

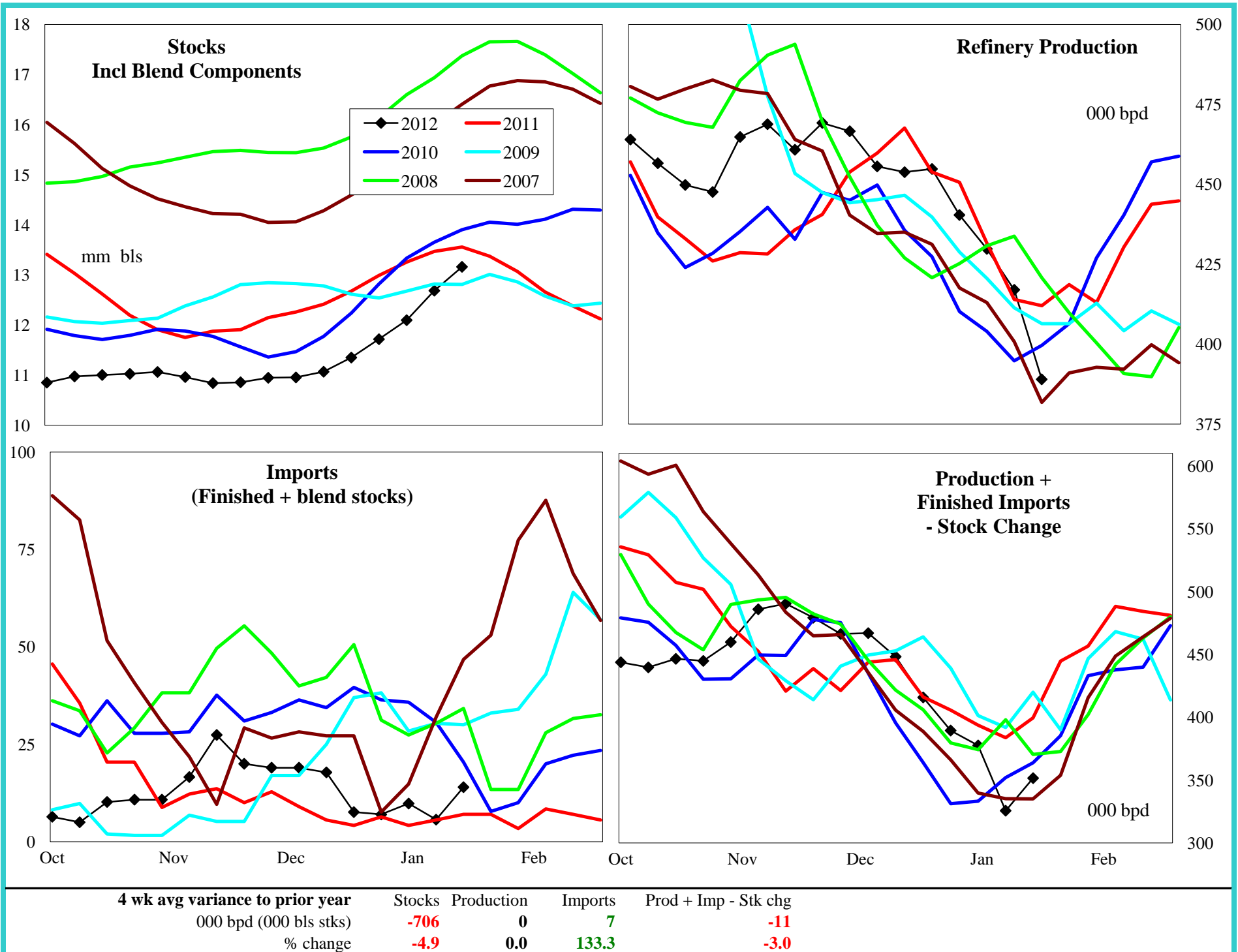
PADD 5 Gasoline Supply



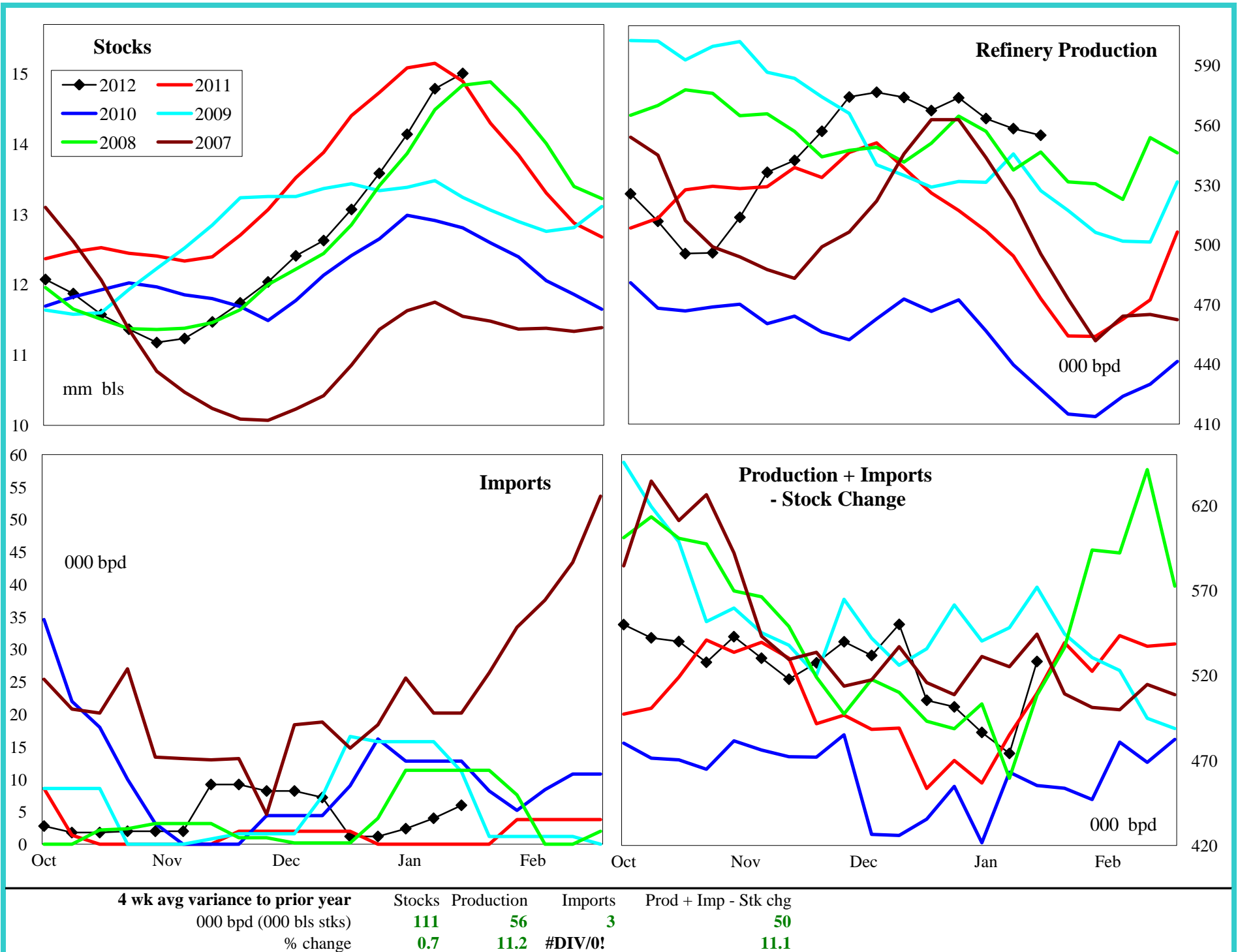
PADD 5 Reformulated Gasoline Supply



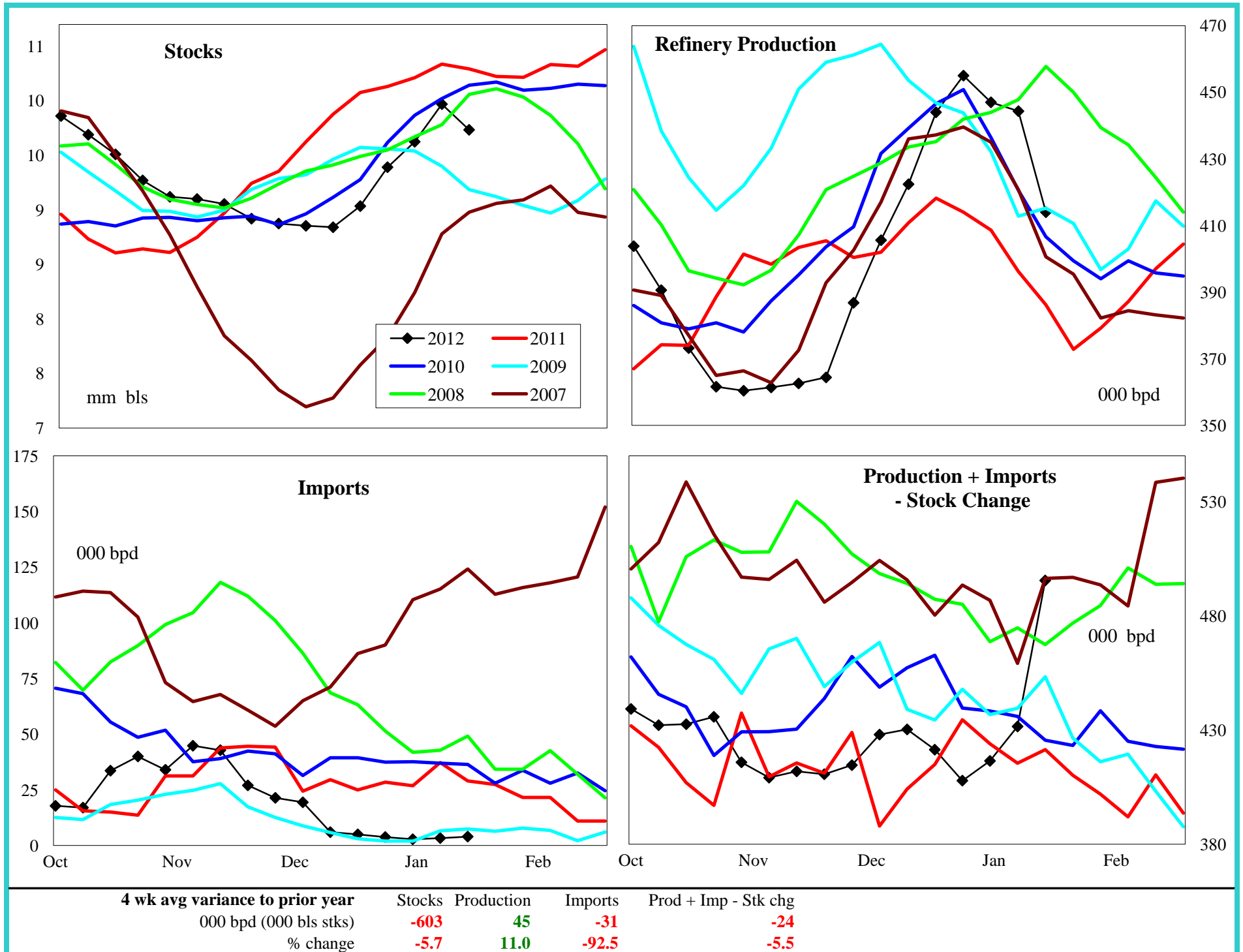
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

